


BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

JULY 1951

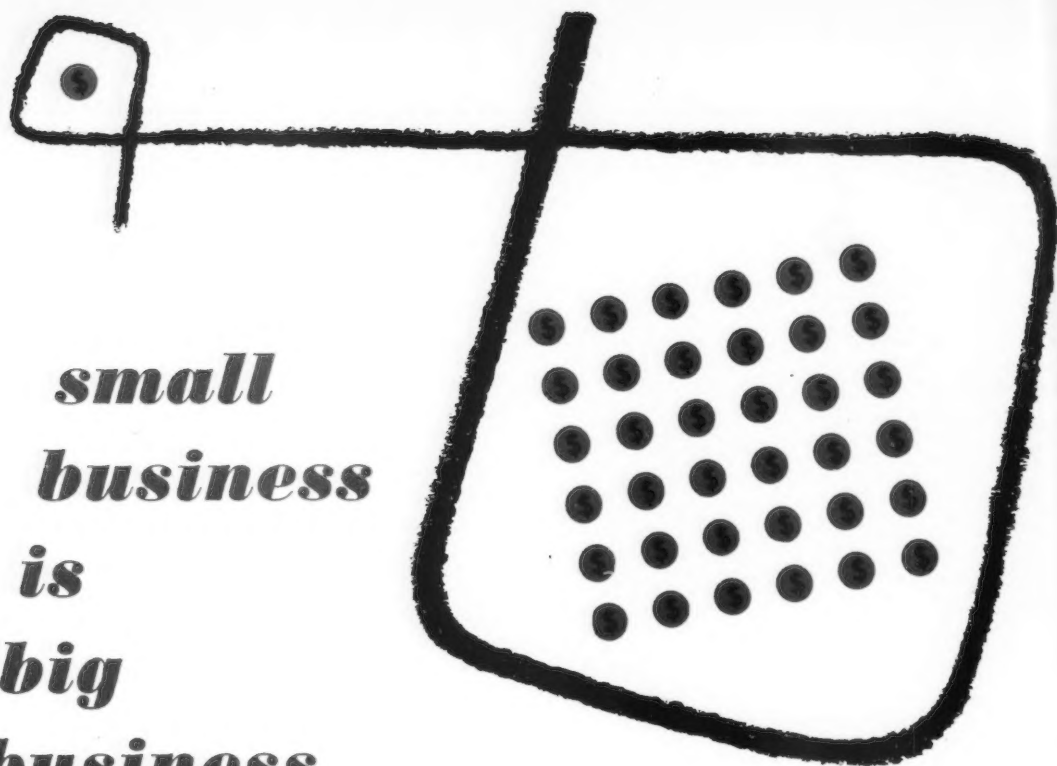


Governor Powell telling business editors about
the Voluntary Credit Restraint Program
(pages 3, 34)

The Impact of Defense Spending on Bank Lending

(page 41)

***small
business
is
big
business***



Take a look at the commercial loan accounts now being handled by your bank.

The chances are a big percentage of your loan volume—and your earnings—comes from a large number of small concerns.

And here's how you can maintain and increase that desirable type of business—safely, and without contributing to inflation.

Suggest loans on inventory to customers who need \$10,000 or more for the purpose of carrying on "business as usual." Let Douglas-Guardian field warehouse the merchandise, right on the borrower's premises, and issue bona fide warehouse receipts to your bank.

Small business is big business. Get your share of it by suggesting sound, secured loans on inventory field warehoused by Douglas-Guardian.

● May we send you Circular 515 recently prepared by the Office of Small Business of the Department of Commerce on "How Field Warehousing Helps Solve Manufacturers' and Distributors' Credit Problems"?

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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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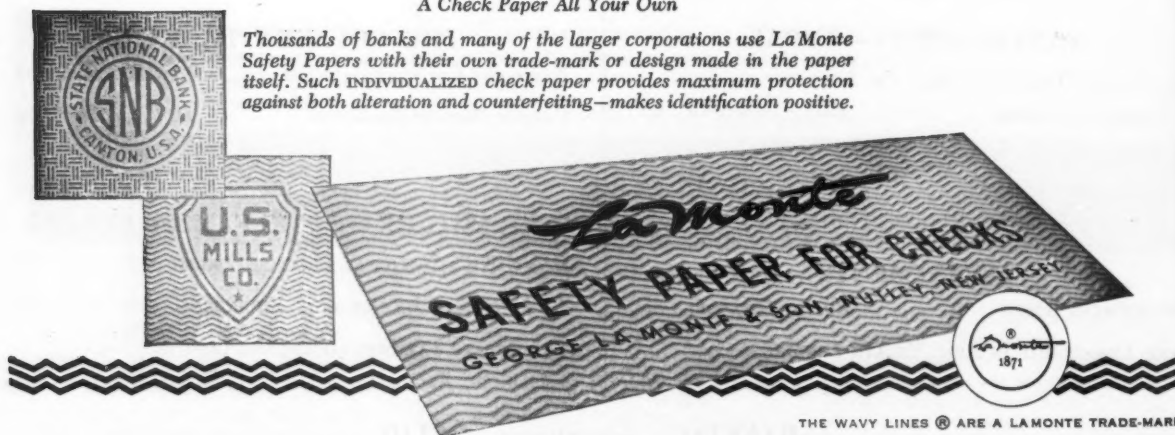


... and have a swell vacation

The unexpected "something extra" is always appreciated. » » Favorable reaction, therefore, may be confidently expected, when a banker undertakes to provide his customers with outstanding checks...checks which offer maximum safety plus the "extra" of superior quality. Each business day the vast circulation of checks lithographed on La Monte Safety Papers is evidence of the almost universal acceptance of this famous line. » » You may obtain samples from your lithographer or we'll gladly send them direct.

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A Year That Set a Pattern

"BUSINESS can rest assured," says our editorial this month, "that the year of war in Korea, plus a 10-year rearmament program, plus a national election, will maintain an inflationary trend in the style to which we are addicted."

The year just past, it continues, has done two things, principally, to business: "It has taught business to be ready for any eventuality, as witness the alternate buying sprees and slumps, depending on the degree of war fear. It has also set an overall inflationary pattern that is likely to prevail for years to come."

The editorial goes on to recall some of the news events that have shaped our course, economically and politically, and to outline indicators of continuing trends in these days of war, whether cold, lukewarm or hot.

The Banks and Defense

LENDING and the defense program is the topic of the day for bankers, and we cover it extensively in the current issue.

From several Federal Reserve district chairmen of the Voluntary Credit Restraint Program we obtained comments on how things are going in their areas. These bankers' observations cover such points as the impact of rearmament on bank credit, the steps that have been taken to expedite defense production loans, the effect (if any) of the Controlled Materials Plan on lending policies, and the general progress of VCRP. The resume starts on page 41.

Very Public Relations

GRAHAM HUNTER, the cartoonist who drew "It Won't Be Long Now" for our April issue, is back this month with a gay extravaganza on what happens when a bank invites its good friend, the public, to an open house.

Mr. HUNTER's facile pen catches a bank on a festive occasion—a combination of "Know Your Bank Week" and "Come and See Our New



Home" party. Everybody is having a very active good time on page 38.

Incidentally, we asked GRAHAM how many people were in his picture. "Well," he said, "you've got me there. I didn't count 'em."

If you do, please tell us. No prizes—we're just curious.

Those Family \$\$

BANKING's "The Future of the Family Dollar" (starting on page 60) is, if we may say so, a useful department. Its purpose is to provide

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

THIS MONTH'S COVER

One of the most important aspects of the Voluntary Credit Restraint program is that of informing the public concerning it. The picture on this month's cover shows Federal Reserve Board Governor Powell, the directing head of the program, explaining its operation and purposes to the Society of Business Magazine Editors assembled in the board room of the Federal Reserve Building in Washington. (For further details on VCRP, see the articles beginning on pages 33 and 34.)



U of M Bindery

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• For over 120 years we have been paying special attention to requirements of business and industry here—and that experience can easily belong to you. Your customers will appreciate this extra know-how, and you will feel secure in the knowledge that your business is in competent hands—Central-Penn... a banker's bank!

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REPLACEMENT RESERVES

Management should know the excess of replacement cost over original cost of its plant facilities — a realistic approach to measuring "earnings after provision for replacements".

**The AMERICAN
APPRAISAL
Company**

Over Fifty Years of Service
OFFICES IN PRINCIPAL CITIES

information for bankers, their families and their customers on practical financial questions in such categories as life insurance, estate planning, investments, and personal finances.

Many of the queries answered by our panel of experts were actually put to speakers at a financial forum, that latest and highly popular bank service which is winning friends and helping people in scores of communities.

In his roles as financial counselor and head of his own household, the banker, we hope, will find "The Family Dollar" section a handy refresher course in personal, everyday economics.

With Backbones Still Intact

A SAN FRANCISCO broker came home from a cross-country tour with some rather pessimistic conclusions. He had talked to 150 business executives, and he summed up his impressions thus:

"The American businessman is so frustrated with his problems that his backbone is broken. He is so disheartened that he will yield to unjust demands from labor and from government. He is so crushed that he will no longer fight against the evils of inflation."

JOHN S. PIPER, financial editor of the *San Francisco News*, decided to

make his own appraisal of opinions. He asked 146 chairmen and presidents of leading corporations whether they agreed with the broker.

Many of them believe, he reports in this issue of **BANKING**, that "business faces serious problems and that inflation is a threat to the country." But nine out of ten "insist emphatically that their backbones are not broken."

In "Is Business Appeasing Socialism?" (page 54), Mr. Piper offers excerpts from the statements he obtained.

"To bankers concerned with the political and social trends of the times," he says, "it should be reassuring to learn that business leaders retain their faith in the future of this country and its way of life."

Bank Lobby Used for Blood Donor Service

IMAGINE 16 cots, several portable refrigerators, a medical staff, and a crowd of people in *your* bank's lobby and you can picture the scene in the Bay Ridge office of THE LINCOLN SAVINGS BANK of Brooklyn, New York, that Saturday morning.

It was Blood Donors Day, planned by the bank in cooperation with the Red Cross, and the Lincoln had turned over its premises for one of

(CONTINUED ON PAGE 6)

Blood Donor Day in the lobby of The Lincoln Savings Bank's Bay Ridge office





75 Years of Service to the Nation

For three-quarters of a century the Bell System has rendered service of more and more value to the American people. The telephone began in this country. Here it has been most widely developed and used. This is a great asset in helping to defend the freedom of the United States.

Our telephone service is also a product of freedom. In the building of the Bell System, countless discoveries and inventions have had to be achieved by the inquiring spirit of free men. Opportunity has been open to all. Competition has flourished throughout the organization. Worth-while incentives

and reasonable rewards have fostered the will and capacity for leadership. In the rendering of service day by day, the responsibility to get the message through is accepted as a public trust: that too is the exercise of freedom.

All that has been achieved flows from the nation we serve. Under public regulation, the Bell System has generally been allowed the freedom it needs to perform its service well. It is essential that this freedom to serve be undiminished; that research and invention go vigorously forward; that new leaders be encouraged and prepared to lead; and that earnings be

fully adequate to continue to pay good wages to employees, and a return to investors sufficient to attract and protect the billions of dollars of savings that make the service possible.

Through the years private enterprise and public policy in telephone communication have returned a value beyond price. We are confident they will do no less in the years to come. We are determined to meet the responsibilities entrusted to us, and we pledge our utmost efforts, always, in devotion to the public service and to the lasting security and advantage of the people of the United States.

BELL TELEPHONE SYSTEM





Convair B-36

A BUSINESS can be MULTI-POWERED, too

In business—just as in the air—there's strength in multi-powered operation.

We began our planned diversification program in 1945 when our company was known as American Type Founders, the world's leading producer of printing presses and foundry type. Years of high precision work had developed standards and methods which we believe could be applied effectively to other industries—so gradually we brought new businesses into our family.

Today, through integrated professional management, Daystrom conducts a multi-powered industrial operation. Each unit contributes its own strength, yet Daystrom is not entirely dependent on any one of them.

Our growth with each passing year reveals the soundness of our diversification policy.

The Daystrom family:

AMERICAN TYPE FOUNDERS, INC., with plants at Elizabeth, N. J., and Mount Vernon, N. Y. Manufactures letterpress, offset and gravure printing presses, foundry type and other equipment for the graphic arts.

DAYSTROM INSTRUMENT DIVISION, Elizabeth, N. J. and Scranton, Pa. Manufactures defense materials.

DAYSTROM LAMINATES, INC., operating a plant at Daystrom, N. C. Producer of hardwood plywoods.

DAYSTROM FURNITURE, Eastern Division, at Olean and Friendship, N. Y. Produces chromed tubular steel and wood dinette sets.

DAYSTROM FURNITURE, Western Division, at Fullerton and Anaheim, Calif. Chromed tubular steel and wood dinette sets.

DAYSTROM ELECTRIC CORPORATION (formerly Frederick Hart & Co., Inc.), at Poughkeepsie, N. Y. Manufactures sound recorders and electronic instruments. Now engaged in defense production.

DAYSTROM, INCORPORATED

(Formerly ATF Incorporated)

200 Elmora Avenue, Elizabeth B, N. J.

This advertisement is set in ATF type faces: Bernhard Modern and Bernhard Modern Bold



"Thanks a lot, boss—but I said 'raise,' not 'praise'"

(CONTINUED FROM PAGE 4)

the biggest collections ever made in Greater New York. From 9 A.M. to 3 P.M. (New York banks aren't open Saturdays) 350 Bay Ridgers came to make their contributions; they gave 302 pints of blood.

So successful was this community venture in unselfishness that the bank immediately planned similar projects for its main office and the other three branches.

The Red Cross people flanked the tellers' counters with their equipment—registration desks, examination facilities, beds, iceboxes, and other bloodmobile paraphernalia; there was even a baby sitters' corner. Then the Bay Ridgers, many of whom had volunteered weeks before, flocked in to donate.

Six weeks of intensive promotion preceded the day. Members of the Lincoln's staff visited more than 75 local organizations, leaving posters and other material. In the lobby veterans of the Korean fighting spoke over the bank's public address system, urging customers to help. Local theatres carried slide announcements; radio and television helped, too. Literature was left at the schools for the children to take home. Church and fraternal organization bulletins, and a booth in the bank lobby were other publicity media.

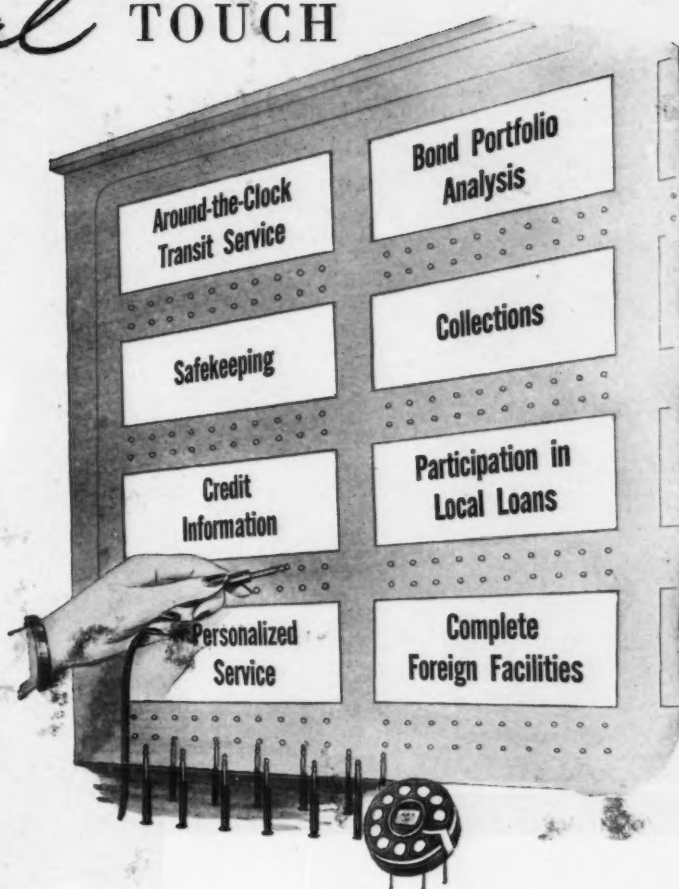
(CONTINUED ON PAGE 11)

CORRESPONDENT BANKING WITH A *Personal* TOUCH

THESE are just a few of the many different ways National City Bank serves its correspondents. Add fast service and plenty of it and you'll see why our correspondents enjoy prompt and constructive help with their individual problems.

For example, we have been accumulating for many years credit information on hundreds of thousands of foreign and domestic names. Our 54 overseas branches speed to us the latest and most accurate foreign information of all kinds. Our 67 domestic branches blanket the entire New York area.

Consider the advantages of adding these facilities to your own, and the increased service it will mean to your customers. Consult with us now for complete details.



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Rosario

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Rio de Janeiro
Porto Alegre
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(Pernambuco)
Salvador (Bahia)
Santos
Sao Paulo

CANAL ZONE

Balboa
Cristobal

CHILE

Santiago
Valparaiso

COLOMBIA

Bogota
Barranquilla
Medellin

CUBA

Havana
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Cuatro Caminos
Galiano
La Lonja
Caibarien
Cardenas
Manzanillo
Matanzas
Santiago

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177 Old Broad St.
West End
21 Watling Pl.

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(International Bank-
ing Corporation)

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Hong Kong

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Bombay
Calcutta

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Nagoya
Osaka
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Panama

SINGAPORE

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Montevideo

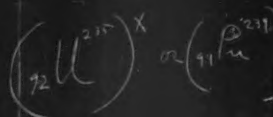
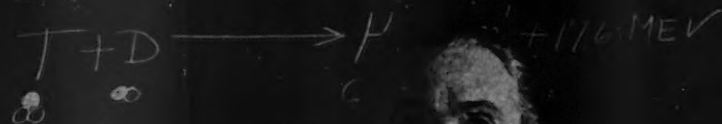
VENEZUELA

Caracas

$$\xi = c dx_4$$

$$\xi - c dx_4 = 0$$

$$E = mc^2$$



4 bomb

The biggest story

in history



Like all reporters, William L. Laurence had his dreams about covering "the big story." But unlike all other reporters, Bill Laurence covered it. He covered the biggest story in history, the dawn of the atomic age. Years before, he had scooped the world with his story that the atomic age was close upon us. When it broke, in the bomb over Nagasaki, Laurence was the only reporter present. His exclusive stories on atomic power will themselves remain a significant chapter in newspaper history.

William L. Laurence has been reporting science for The New York Times since 1930. He is probably the best known science reporter in the country. Numerous awards, including two Pulitzer Prizes, highest honors in American journalism, suggest that he may also be the best. His ability and alertness in reporting advances in medicine have won him national recognition. One of the first Lasker Awards made in the field of journalism went to him for his stories on cortisone and ACTH.

Many expert reporters and editors, like William L. Laurence, pooling their skills and talents each day, help make The New York Times the interesting, authoritative, unusual newspaper it is.

Wherever you go, you'll find that The Times is known, read and respected. Wherever you ask, you'll find general agreement that The Times is "America's most distinguished newspaper."

and he was the only reporter there!

All this has special and important meaning for advertisers. Because The Times gives its readers *more*, it gives the utmost to its advertisers, too. In a rich, competitive market, The New York Times has held advertising leadership for 32 consecutive years. It is not just a newspaper, it is a unique newspaper, for advertisers as well as readers. Let us tell you more about it.

1851 HUNDREDTH ANNIVERSARY 1951



of a series about the people who make The New York Times "America's most distinguished newspaper."



HOW MUCH BOND INTEREST *Can You Afford?*

Under present conditions of low money rates, it is more important than ever before to obtain an adequate income from your bond account. It is equally essential that a bank maintain liquidity suitable to its needs. These conflicting requirements call for careful factual analysis.

Here at Mellon we have developed over many years a system of bank portfolio analysis which we believe can be profitably applied by any bank. Some such approach appears to be essential to maintain earning power under conditions of low interest rates, limited loan demand and a rising level of costs.

We will welcome an opportunity to discuss this with you.

**MELLON NATIONAL BANK
AND TRUST COMPANY**

PITTSBURGH 30, PENNSYLVANIA

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

(CONTINUED FROM PAGE 6)

A.I.B.—G.S.B.

JUNE is the big month for the American Institute of Banking and The Graduate School of Banking. The former holds its convention then, the latter its session at Rutgers.

The A.I.B.'s 49th annual meeting at Pittsburgh is reported by Miss RUTH MARY WILKINSON of Peoples First National Bank & Trust Company. RUTH's is a different sort of convention story. It's full of names and A.I.B. spirit.

The G.S.B. men were just getting together as BANKING went to press; we'll cover the School, next month, with names of the graduating class.

The Community Banker

WHEN CHARLES C. D. BISHOP retired as manager of the Codman Square branch of The First National Bank of Boston, the *Dorchester Beacon* wrote an editorial about him. It was really a tribute to the genus community banker—the fellow who's trying hard to serve the people of his neighborhood.

"This brief article," it said, "will detail in part what made Charlie click as a great citizen. He participated in every activity that would assist and build the community. He had courage, and plenty of it. He never ran away from any situation that demanded an honest answer. He therefore made hosts of friends in all walks of life, who came to him for advice and for his opinion on business and other subjects.

"Strictly a businessman, but with a big heart underneath the usual cold-blooded austerity generally associated in most minds with bankers (a myth, as all bankers are hu-

"So you're the husband!"



It's like

money in the bank...the way the

Remington *Electri-economy* **SAVES**

Yes, banks throughout the country today are discovering new office economies with Remington Electri-economy Typewriters—the superb electric typewriters that *save time...save work, save effort* to help meet the stepped-up production needs of a defense-busy country.

Vital loan records, accurate account statistics, multiple trust records, legible carbon copies, distinctive correspondence are prepared swiftly, with electric ease, on this new typewriter.

So why not turn to the Electri-economy in these times when greater individual productivity is SO important. Mail the coupon below for the amazing economy story.



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315 Fourth Avenue, New York 10, N. Y.

- ☐ Yes, I would like a FREE copy of folder RE 8353 describing the new Electri-economy.
☐ I would like FREE Electri-economy Test in my office—without obligation of course.

Name _____

Bank _____

Address _____

City _____ Zone _____ State _____



... but income goes right on!

Damage to business property brings *two* kinds of financial loss: Loss of *property* values and loss of *income*, due to suspended operations or costly emergency measures taken to maintain service.

Bankers recommend that their clients have adequate Fire and Extended Coverage Insurance to protect them against the first of these losses. But *also important to the security of a bank's loans* is protection against the second kind of loss—*losses which cannot be recovered from property insurance.*

Business Interruption and Extra Expense Insurance provides this protection. It covers such income losses caused by fire, windstorm or any of the other perils named in the policy. It is a necessary part of any protection-program for factories, stores, hotels, newspapers, schools and many other enterprises, including banks themselves.

Ask your Hartford agent or your insurance broker to analyze the requirements of your clients or of your own bank. Or write us for complete details.

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HARTFORD ACCIDENT AND INDEMNITY COMPANY
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HARTFORD
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Hartford 15, Connecticut

Please send information about Business Interruption and Extra Expense Insurance.

Name _____
Firm Name _____
Address _____
City _____ State _____



9



"Me, I'll take winter any day. Then you've always got some flimsy excuse for being late"

man), he went out of his way to take care of all worthy cases.

"Charlie met the people, knew the community, was familiar with their needs, and his views were respected 'down town.'

"He was, and still is, a man it is a privilege to meet."

Fifty-fifty

WILLIAM BLOETH, who writes a newsy column in the New York *World Telegram and Sun*, unearthed this one the other day:

"People with quaint ideas of finance have long been a source of surprise to their bankers. And today's bank-by-mail era is only aggravating the situation.

"To get down to cases, the incident came to light at the Dollar Savings Bank. A customer sent in two passbooks on trust accounts for his children. Each book had in it a neat deposit slip for \$2.50—all thoroughly proper so far.

"But also in the envelope with the passbooks was a \$5 bill, cut exactly in half!

"The bank admits the customer was really trying to lend a helping hand, but bankers who regard currency as something special could be excused for figuring that it was a case of carrying cooperation too far."

J. L. C.

BANKING

Christmas Club, a Corporation — An organization promoting Christmas Club on a national scale



What does the national advertising
of Christmas Club, A Corporation
do for financial institutions?

- 1 It identifies financial institutions with the organization that originated the Christmas Club plan.
- 2 It attracts new depositors to these institutions.
- 3 It creates new business for other departments of financial institutions.
- 4 It builds a friendly relationship between institutions and depositors.
- 5 It develops habits of thrift.
- 6 It develops a better understanding of banking functions.
- 7 It ties in with local advertising of financial institutions.
- 8 It focuses national attention on the value of saving.
- 9 It promotes the American system of banking.

A Christmas Club, a Corporation, sales representative will be glad to discuss with you the details of the Christmas Club plan.

Christmas Club

A Corporation

FOUNDED BY HERBERT F. RAWLL

230 PARK AVENUE, NEW YORK 17, N. Y.

BUILDS SAVINGS • BUILDS CHARACTER • BUILDS BUSINESS FOR BANKS

A Bank's New Home in an 18th Century House

IF, as a stranger in Guilford, Connecticut, you ask a townsman where to find The Guilford Savings Bank, he'll say: "It's on a corner facing the Green. You can't miss it."

You'll find the Green easily, but you *can* miss the bank, so look sharply. Walking down pleasant, shady Park Street with its gracious houses which for generations have bordered the common ground of this 300-year-old New England village, you come to a particularly home-like, green shuttered residence set close to the sidewalk behind a white picket fence. It's the sort of house that makes you exclaim, "Now I'd like to live *there!*"

The bank thought so, too—and it does. It just moved in.

When the 1780 house was purchased by Guilford Savings in 1945, the trustees said, "Some day we'll put up a new building on this site." But the changes of modern life are made cautiously in Guilford, and when the time came to move the bank from its quarters with the Guilford Trust Company (an attractive building in its own right) the savings bank's folks thought twice



The Guilford Savings Bank recently set up housekeeping in this 1780 home

—and decided to set up shop in the old house.

Of course alterations were necessary, but the architect and trustees agreed to do nothing that would ruffle the quiet charm of Guilford Green. So they left the building's exterior as it was, except to restore, with the aid of an old photograph, the front entrance to its original design. They planned an interior that would carry on the traditions and antiquities of the village.

The town, naturally, soon knew all about the project, and everybody took an interest. In fact, the bank's new home became a community concern; and when the trustees let it be known that they'd like to furnish

the house with antiques, old families went into their attics and came down with ancient tables, chairs, rugs and clocks. Dealers supplied some pieces, and local craftsmen began the manufacture of authentic reproductions of others.

On the first floor two partitions came out, and steel girders, neatly boxed in wood to resemble the old beams, were added for strength. A paneled counter was extended through the big room, dividing it into lobby and working space. An office and a conference room, each with a fireplace, were arranged; and safe deposit booths took their places, unobtrusively, in the floor plan.

Upstairs the architect provided a

A corner of the lobby. The bank's working space is behind a counter to the left



The trustees' room. The telephone on the pine table and the electric lights are reminders of the 20th Century



large trustees' room, furnished with a cupboard, a long pine table, and Windsor chairs. A kitchenette and dining alcove are concessions to modernity; there's also a powder room.

A new ell, at the rear of the house, contains a modern vault.

Mrs. Irving W. Dudley, wife of the president and treasurer, took charge of the decorating. She ordered gay wallpaper, printed in Guilford by the silk screen process from patterns that reproduce the cloth covering originally on the walls. Ceilings and woodwork harmonize; so do the bright curtains.

Some of the furniture (including a couple of desks) used by the bank in its former location was "done over" and put back to work.

THE new home was ready for occupancy this spring, and an open house, on a Saturday afternoon in May, celebrated the bank's move. It was quite fitting that everybody came to the party, for everybody, it seemed, had had a hand in the preliminary doings.

A woman visitor summed things up rather well.

"I never thought," she exclaimed, "a bank could look so nice as this!"

All parents believe that genius is hereditary.

A man can become a nervous wreck wondering if he could have gotten by with 15 cents instead of the quarter he gave the waiter.

Opportunity knocks on the door but once. Trouble is more persistent.

A great man is more alone when he is with others than when he is alone.

If a person has to put on company manners, he hasn't any.

Love may be blind, but marriage is an optometrist.

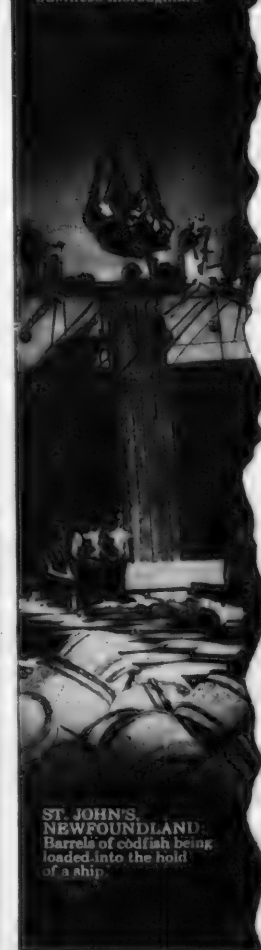
A gentleman is a person who never insults some one else by mistake.

The doctors have helped us to live longer, but the Income Tax Collector makes it impossible.

IN CANADA



VICTORIA,
BRITISH COLUMBIA.
Douglas Street principal
business thoroughfare



ST. JOHN'S,
NEWFOUNDLAND.
Barrels of codfish being
loaded into the hold
of a ship

The Royal Bank offers

United States banks and firms a service that is continent-wide. Branches number well over 690. Located in highly productive farming, lumbering, mining, fishing and industrial areas from Victoria, B. C. to St. John's, Newfoundland, each branch is a valuable point of contact in the area it serves. You will find it profitable to discuss your Canadian banking requirements with the Royal Bank. Its officers can help you to find desirable trade or business connections, factory sites and trade opportunities. Enquiries invited.

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International banking through more than 750 branches in Canada, the West Indies, Central and South America; New York, London and Paris. Correspondents the world over.

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Bankers throughout the Nation and the Southeast have learned that the "Friendly Fulton" National Bank of Atlanta not only renders fast and efficient service on all routine correspondent items, but also stands ever ready to render friendly, personal advice and counsel on their specific problems as well as those of their customers operating in this area.

Over 40 years of banking experience is at your disposal. Call on The Fulton National Bank of Atlanta for the extra and unusual in correspondent banking service.



"Shucks all I did was buy those new Standard A.B.A. color Bill Bands"



A Complete Line of Money Wrappers
STANDARD PAPER GOODS
MANUFACTURING COMPANY
WORCESTER 8, MASS.



"I GUESS you think it's peculiar to make a check out to cash for such a queer amount," said the lady customer, presenting a check for \$5.17 to the teller, "but I always make mine out for odd sums. It's a big help to me. You see my husband and I have a joint account, and he is forever cashing checks for \$5 or \$10 made out to 'Cash.' Then when the statement comes back with the cancelled checks, there are so many for the same amount that it is very hard to check the balance. So I make my checks all out for amounts like \$5.17 or \$10.02 or \$7.67 and so forth. Then I can find them on the state-



ment right away. With all those even amount checks, you just can't tell which have come in and which haven't, and that's the way I make things easier for myself."

* * *

LETTER from an exasperated borrower: "Dear Sir, The pump your men put in for me, it leaks all the time and they never put no switch on the pump to cut it off. It just pumps all the time. And they put the switch on the light switch, so at night we have to cut the lights off to stop the pump from pumping and either light a lamp or sit in the dark. I asked them ever since they put the pump in, and they promise they will come and stop the pump from leaking and change the switch, but they don't do it and we are

tired of using a kerosene lamp. The kids can't see to do their lessons right, but all the time we have the lights on, the pump keeps on running and leaking."

(This, of course, was an F. H. A. Title 1 loan.)



MANY call on the American Red Cross for a helping hand, but few, we imagine, for the service asked of a chapter in our vicinity a few weeks ago. Opening her mail one morning, the secretary found a bulky envelope which proved to contain a bank statement with cancelled checks, accompanied by a desperate letter. "I am in trouble," read the missive, "and I know the Red Cross is supposed to help people who are in trouble. I have worked and worked on this bank statement and I just can't figure out from my stubs and the statement why in the world the bank insists that I am overdrawn. They must have made a mistake somewhere, but I can't find it. Please go over my statement and the checks and see if you can't help me show



them where they are wrong. P. S. Every year I contribute a dollar to the Red Cross drive, so I do feel that I have a right to ask you to help me in return."

BELLE S. HAMILTON

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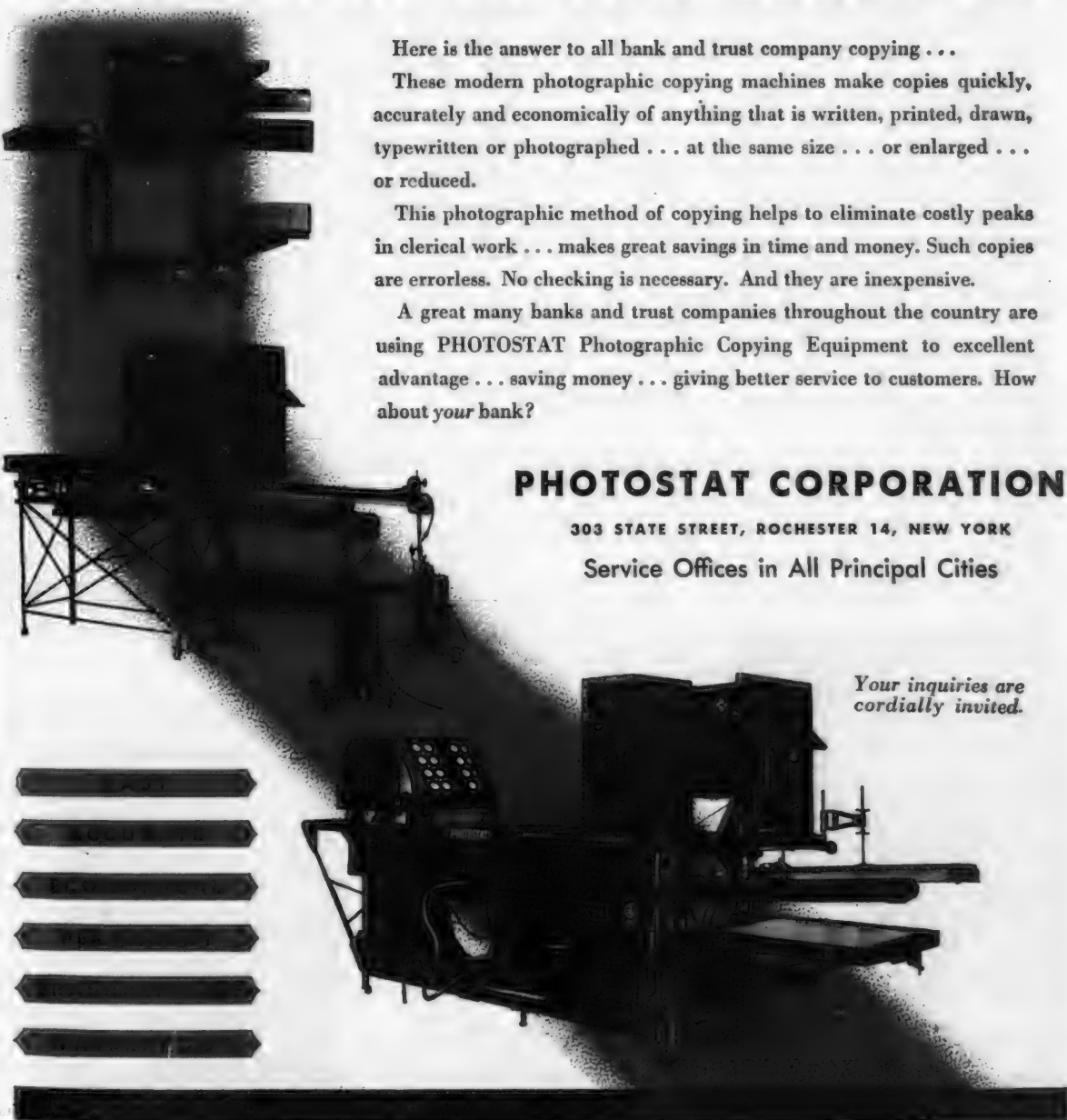
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cordially invited.*





St. Louis Merger

PLANs for the merger of the Mercantile - Commerce Bank and Trust Company and the Mississippi Valley Trust Company, St. Louis, have been announced.

All officers and personnel of the two institutions are being retained and the ranking officers will be: Chairman of the board; SIDNEY MAESTRE, president of the Mississippi Valley Trust Company; chairman of the executive committee, W. L. HEMINGWAY, who has been chairman of the board of Mercantile; president, GALE F. JOHNSTON, who has been president of Mercantile. EUGENE J. MUDD and HORD HARDIN, executive vice-presidents of the two banks, retain the same office in the merged institution.

PAUL KELLY, vice-president of the Security Trust and Savings Bank, San Diego, California, and his wife

Mr. and Mrs. Paul Kelly boarding plane at New York's Idlewild Airport



PAULA are on a two-month European trip sponsored by the bank in recognition of Mr. KELLY's 45 years of service. Mrs. Kelly is a war bride of World War I. This is her first visit to her homeland, Germany, in 31 years.

H. FRANKLIN SPRECHER, Jr., of the Federal Reserve Bank of Minneapolis, has been appointed assistant director of the Division of Personnel Administration, Board of Governors, Federal Reserve System.

RUDOLPH R. FICHEL, director of public relations for the Savings Banks Association of the State of New York, has been awarded the Marcus Nadler Key and \$50 as a prize for the graduate student at the New York University Graduate School of Business Administration completing the requirements for an advance degree and attaining the highest scholastic rating in the area of finance.

FRED C. STOYLE, vice-president and cashier, Houghton (Michigan) National Bank, has retired because of ill health. JOSEPH M. LENZ has been elected cashier and trust officer.

The Binghamton (New York) Savings Bank has added to its board of trustees GLENN G. BARTLE, provost of Harpur College, and DANIEL J. MCAVOY, justice of the Supreme Court of the State of New York.

FREDERICK H. SCHNEIDER, counsel for the Roosevelt Savings Bank, Brooklyn, has been elected to the board of trustees.

FRANCIS A. HOAG, vice-president and cashier of the National Bank of Mattoon, Illinois, has announced he will retire on December 31. He will continue actively until September 1,

and will continue inactive, subject to recall, until the retirement date. JOHN W. SHEEKS was promoted to vice-president and H. O. PHIPPS was advanced to cashier.

Vice-president E. J. WAIT has been elected a director of the First National Bank of Nevada.

Puelicher Portrait Unveiled at Bank

AT an open house at Marshall & Ilsley Bank, Milwaukee, a new oil portrait of the late JOHN H. PUELICHER was shown for the first time. The portrait was painted by Raymond P. R. Neilson.

Mr. PUELICHER was president of the Marshall & Ilsley Bank from 1920 to his death in 1935. He had been active in the affairs of the

(CONTINUED ON PAGE 20)

First showing of the new portrait of the late John H. Puelicher at Marshall & Ilsley Bank, Milwaukee. Looking on are president A. S. Puelicher, son of J. H. Puelicher, and Board Chairman Charles F. Ilsley, grandson of the Charles F. Ilsley who was a co-founder of the bank





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Banks are giving more attention to the training of their people today than ever before. Unused talents are frequently uncovered as a valuable by-product.

Training programs help to give you a greater return on salary dollars—probably the largest single expense in your bank.

Should you be interested in any of the education and training material we have developed and are using in our bank, we'll be glad to share it with you, and work with you in fitting it to your needs.

Your inquiries are invited.

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and Trust Company of Chicago

LaSalle, Jackson, Clark and Quincy Streets
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Member Federal Deposit Insurance Corporation

...STRAIGHT AS AN ARROW TO ANY SPOT IN CALIFORNIA

With Bank of America as your California correspondent you are able to send your items for any of more than 300 communities direct to this Bank's branches in those localities.

One account with either the Los Angeles or San Francisco office of Bank of America makes this time-saving California-wide direct routing service available.

Bank of America
NATIONAL TRUST AND SAVINGS ASSOCIATION
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



Bank of America Travelers Cheques are known the world over. Sell them to your customers.

(CONTINUED FROM PAGE 18)
American Bankers Association, serving in many capacities and was elected president in 1922. He was especially interested in banking education.

The bank has two other fine oil portraits. These are of the founders of the bank, SAMUEL MARSHALL and CHARLES F. ILSLEY.

GEORGE WATTS, formerly vice-president in charge of advertising and public relations of the Corn Exchange National Bank, has been named advertising director of Girard Trust Corn Exchange Bank, Philadelphia.

JOHN EUGENE MILLER has been named manager of the instalment loan department of the Manufacturers Bank and Trust Company of St. Louis.

R. B. WILL succeeds the late JOHN L. WILL as president and chairman, Vinton County National Bank, McArthur, Ohio. J. G. WILL was elected vice-president and cashier, and Mrs. MARY WILL PILCHER was appointed to the board of directors.

JOHN A. OULLIBER has been made executive vice-president of the National Bank of Commerce in New Orleans. New senior vice-presidents are: THOMAS F. REGAN and LOUIS W. McFAUL; vice-presidents: ROBERT M. WALMSLEY III and JOHN E. WAX.

(CONTINUED ON PAGE 22)

Representing Richmond, Va., public schools, Lozella Conley accepts photographic copy of Jefferson's "rough draft" of the Declaration of Independence from J. Joseph May, vice-president of The Bank of Virginia. This is one of 52 historical documents presented to the Richmond schools by the bank



F A M O U S A M E R I C A N H O M E S

Berkeley

*Ancestral Home
of a signer
and two Presidents*



A year before the Pilgrims landed, America's first Thanksgiving was celebrated in Virginia on property now occupied by Berkeley plantation. On December 4, 1619, settlers came ashore and took possession of land granted by King James I and it was agreed that the date of their arrival was to be "yearly and perpetually" observed as a day of Thanksgiving.

One of the loveliest of the James River plantations, Berkeley is known as the cradle of the Harrisons in Virginia. For 150 years members of that distinguished family brought lustre to its name. Colonel Benjamin Harrison, whose father had built the present mansion in 1726, was a Signer of the Declaration of Independence and three times Governor of Virginia. His son, William Henry, was Secretary of the Northwest Territory, a renowned Indian fighter and ninth President of the United States. According to tradition, young William decided to become a soldier when from Berkeley's windows he saw the redcoats marching past with the traitorous Benedict Arnold. In manhood he returned to Berkeley and wrote his inaugural address in the room where he had been born. His grandson, Benjamin Harrison, became 23rd President, but knew Berkeley only through occasional visits.

During the War Between the States General McClellan made Berkeley his headquarters and is said to

have used the cellar as a prison for Confederate soldiers. Here the bugle call, "Taps," was composed by General Butterfield and here Lincoln reviewed the troops. Even though it was night, according to an observer, "Everyone could tell him by his 'stove-pipe hat' and his unmilitary acknowledgment of the cheers which greeted him."

Long before the mansion was built, members of the Harrison family operated a wharf on the river front known as Harrison's Landing where some of this country's first ships were assembled. From earliest times a noteworthy event has been the spring runs of shad and herring which are seined with drift-nets to-day just as they were in the past.

After the Harrisons' time Berkeley was neglected and somewhat altered by various tenants. The present gracious owner, Malcolm Jamison, has carefully restored it to its original appearance and, fully aware of its historical value has taken every practical means, through insurance engineering and protection, to preserve it for posterity. Through his generosity this beautiful home is now open to public inspection.

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Land of American Opportunity

In the years ahead, few countries in South America will offer U. S. business such broad and vital trade opportunities as Colombia. All signs point to a substantial increase in Colombian travel — export and import trade — development of new industries or expansion of existing local industries.

Progressive U. S. banks and business organizations know these facts — are establishing correspondent relations in Latin America, notably in Colombia. In increasing numbers they are taking advantage of the exceptional and complete banking facilities provided by this 38-year-old institution.

With 25 offices, located in all important commercial centers, trade information is quickly gathered and forwarded to you. Special departments are available to handle your collections and letters of credit.

Inquiries cordially invited.

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Cable address for all offices — *Bancoquia*

Capital paid-up \$15,000,000. — Pesos Colombian

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Head Office: MEDELLIN, COLOMBIA, SOUTH AMERICA

BRANCHES: Armenia (C), Barrancabermeja, Barranquilla, BOGOTA, Bucaramanga, Cali, Cartagena, Cartago, Cúcuta, Girardot, Ibagué, Magangué, Manizales, Montería, Neiva, Palmira, Pasto, Pereira, Puerto Berrio, San Gil, Santa Marta, Sincelejo, Socorro, Vélez.

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(CONTINUED FROM PAGE 20)

THOMAS A. DOLAN is a new vice-president and AUBRY J. HOOD is principal executive assistant at The Bowery Savings Bank, New York City.

REX G. BERRY has been made president of the Lodi (Ohio) State Bank. He succeeds the late C. M. FETZER.

DR. CHARLES ALLEN THOMAS, president of Monsanto Chemical Company, has been made a director of the First National Bank in St. Louis.

EDWARD R. MCAULIFFE has been appointed assistant vice-president of the Bay Ridge (New York) Savings Bank. He was formerly a senior bank examiner with the New York State Banking Department.

MICHAEL D'AVRANCHES, in the international banking department of Bank of America, is the author of "Flight Through Hell," a novel about the flight of the refugees before the German blitz in 1940.

JOSEPH C. ROVENSKY, member of the board of the Industrial Bank of Commerce, New York, has been awarded an honorary degree of doctor of humane letters by Wagner College, Staten Island, New York.

GEORGE C. HALL, president, and WILLIAM P. LOUGH, chairman, Staten Island (New York) Savings

Below is an ad for the Philadelphia merger of Girard Trust with the Corn Exchange National Bank



"YES MA'AM — OUR MERGER WAS EFFECTIVE THIS MORNING!"



William T. Taylor John M. Budinger

Bank, have retired, and THEODORE S. FALLER, trustee and executive vice-president, has succeeded to both positions.

JOHN M. BUDINGER, president, and WILLIAM T. TAYLOR, vice-chairman of the Commercial National Bank, New York, have been made vice-presidents of Bankers Trust Company following the merger of the two banks. B. EARL PUCKETT, a director of Commercial National, was elected a director.

At Bankers Trust Company, New York, DAVID B. MATHIAS has been made vice-president and deputy comptroller, and ROBERT H. BROME resident counsel in charge of the bank's new legal department.

WILLIAM E. SIEGEL is a new vice-president of Security-First National Bank of Los Angeles.

JESSE F. WOOD, vice-president of State-Planters Bank and Trust Company, Richmond, and manager of its Broad Street Office, retires as of July 1. W. B. SUTTON, JR., an assistant vice-president, becomes manager of the office.

MORRISON G. TUCKER has been made a vice-president of The Liberty National Bank and Trust Company of Oklahoma City.

Chicago Promotions

PHILIP R. CLARKE, president of City National Bank and Trust Company of Chicago, has been made chairman of the board, succeeding the late Charles G. Dawes. A. R. Floreen and A. T. Leonard, formerly senior vice-presidents, were elected vice-chairman and president, respectively.

Mr. Clarke has been active in A.B.A. activities and was chairman of the convention committee for the 1941 Chicago convention. Mr. Floreen is a former president of the Chicago Clearing House, and Mr.

are

YOUR *loans*

needlessly

endangered?

A recent survey conducted by BANKING showed that more than 95% of all banks contacted require prospective borrowers to furnish data regarding their fire and other insurance coverages. BUT, only about 5% check as to whether there are bonds on borrowers' employees.

Yet, businesses strong enough to weather serious fires can be wiped out by a sizable embezzlement. And, today's inflation has made large embezzlements more frequent!

Don't expose your loans to such hazards. Why not make sure that your customers' employees are bonded? Suggest that your borrower call our agent in your community if he lacks this vital protection.

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ACCOUNT
BUILDER**



**The HOPALONG
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Here's the one plan that not only gets new accounts but also keeps them growing! Write-wide phone relay for details on this volume builder available on non-competitive basis.

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**YOUR EXPENSIVE OFFICE MACHINE
IS SAFE ON A
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OFFICE MACHINE STAND**



**TUSCO STANDS ARE ADAPTABLE TO
OVER 95% OF ALL OFFICE MACHINES**

Tusco Stands provide a combination of strength, stability, operator comfort and beauty available in no other office machine stand. Equipped with an adjustable ball foot the TUSCO Stand provides solid support for the heaviest, most active machines on the most uneven floors.

TUBULAR SPECIALTY MFG. CO.

1940 Stanley Ave. Detroit 8, Mich.

ESTABLISHED 1921



J. R. McWilliam



E. Herrick Low



H. M. Sherman



William C. Way

Leonard has served on many A.B.A. committees, councils, commissions, and the Trust Division.

RALPH PETERS, JR., has retired as president of the Corn Exchange Bank Trust Company, New York, but will continue as a director and committee member. JOHN R. MCWILLIAM, executive vice-president, has been made president, and E. HERRICK LOW, a senior vice-president, was elected first vice-president and a director.

HAROLD M. SHERMAN, JR., has been made vice-president in charge of general organization of Guaranty Trust Company, New York.

WILLIAM C. WAY, trust officer, Central National Bank of Cleveland, has been named administrative head of the corporate trust division of the bank's trust department. He succeeds ANTHONY POSS, former trust officer, who retired May 1. Mr. WAY is a past (1945) national president of the American Institute of Banking.

Active direction of the Woonsocket (Rhode Island) Institution for Savings will be in the hands of ALBERT N. PLACE who has been elected to the newly created position of executive vice-president. He was also renamed treasurer. LATIMER W. BALLOU was reelected president.

EARLE F. SQUIRES, vice-president of the Conway (Massachusetts) National Bank and president of the Franklin-Hampshire Country Bankers Association, has been made Grand Patron of the Order of the Eastern Star for Massachusetts. His wife was installed as Grand Arah at the same meeting.

LOUIS W. FISCHER, vice-president, American National Bank and Trust Company of Chicago, was elected president of the Corporate Fiduciaries Association of Chicago. WIL-

LIAM S. TURNER, vice-president, The Northern Trust Company, is the new vice-president and R. EMMETT HANLEY, vice-president, City National Bank and Trust Company, is secretary-treasurer.

SAMUEL B. BURNHAM has been made trust officer of Union Bank & Trust Company of Los Angeles.

LAWRENCE SOWDEN, assistant cashier and assistant trust officer, Union National Bank of Streator, Illinois, recently completed 50 years of service with the bank.

DARRELL R. SCOTT has become a vice-president in the central loan department of Security-First National Bank of Los Angeles. New assistant vice-presidents are ARNOLD B. PEEK and GORDON S. TEMPLAR.

WALTER R. WILLIAMS, JR., vice-president of Union Dime Savings Bank, New York, has been elected a trustee to fill the vacancy caused by the death of Chairman WILLIAM L. DEBOST. Mr. WILLIAMS joined Union Dime in January 1950, after having been executive secretary of the N. Y. Savings Banks Association.

FREDERICK B. WALKER, assistant cashier of the First National Bank of San Mateo County, Redwood City, California, has been made manager of the bank's new Menlo Park branch. He is a past president and former instructor at Peninsula Chapter, A.I.B.

EUGENE W. AUSTIN, formerly executive vice-president at the Columbia office of Citizens & Southern National Bank, Charleston, South Carolina, has been named first vice-president of the C. & S. system. Mr. AUSTIN is a graduate of The Graduate School of Banking. ALBERT R. SIMONDS is his successor in the Columbia post.

(CONTINUED ON PAGE 26)

GIVE THIS *Special Service* TO
YOUR CUSTOMERS TRAVELING
IN *Canada...*



TRAVELERS CHECKS of
Canada's First Bank

Build profit and good-will by providing this safe, inexpensive and convenient form of travel funds for your customers — acceptable at par at chartered banks *everywhere in Canada.*

Bank of Montreal Travelers Checks—backed by a record of complete safety and unexcelled service over 130 years—provide a travel-fund instrument payable in Canadian dollars that is unsurpassed for Americans visiting north of the border on business or pleasure.

The rate of exchange is definitely established for your customer at the time of purchase. You will enhance his good-will and increase your profits by selling him Bank of Montreal Travelers Checks.

To arrange for the sale of these checks by your bank is simple . . . Address your request for particulars—by letter or telegram—to: Superintendent, Foreign Department, Bank of Montreal, Place d'Armes, Montreal, Que. or any of our U.S. offices mentioned below.



BANK OF MONTREAL ... *Canada's First Bank*
OVER 550 BRANCHES ACROSS CANADA *Coast-to-Coast*

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SAN FRANCISCO OFFICE . . . Bank of Montreal (San Francisco) 333 California Street, 4

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 TWICE THE
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STEEL-STRONG



**SEAL
 press**
**MEETS
 APPROVED
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Powerful leverage enables user, with one hand, to attach cord and pull until the seal pin is forced through the thick folds of canvas bag. Increased leverage affords perfect die impression even with light pressure when deforming seal. Yet Press weighs only 17 ozs!

PURE LEAD SEALS

"Steel Strong" Lead Seals comprise 4 holes fitted with cable-laid hemp cord and pin. Made of pure non-porous lead that will not break like a moulded seal made of cheap lead. Seals, with cord, packed in bundles of 50, all same size; Pins different lengths.

The C. L. DOWNEY Company
HANNIBAL, MISSOURI
World's Largest Mfrs. of Coin Wrappers



Howard B. Smith



T. J. Herbert



Charles H. Jones



A. W. Danielson

(CONTINUED FROM PAGE 24)

At the 126th annual meeting of The Middletown (Connecticut) Savings Bank, HOWARD B. SMITH was elected president and treasurer. Before joining the bank's staff several years ago, he was assistant director of the then Department of Real Estate and Mortgage Finance of the American Bankers Association.

Albert H. Wiggin

ALBERT H. WIGGIN, chairman of the board of the Chase National Bank of New York for many years, died on May 21 at his home in Greenwich, Connecticut.

After graduation from high school in Boston, Mr. WIGGIN served as clerk in the Commonwealth Bank in that city. In 1891, at the age of 23, he was made assistant national bank examiner of the Boston district. Later he became assistant cashier of the Third National Bank, and then accepted the vice-presidency of the Eliot National Bank.

Mr. WIGGIN came to New York in 1899 as vice-president of the National Park Bank, where he remained for five years. Although only 35

years of age, the youngest of his associates, he served also as vice-president of two other banks and was an organizer of Bankers Trust Company.

In 1904 he became vice-president of the Chase National Bank of New York, president in 1911, and chairman in 1918. When he came to Chase, the bank's assets were under \$250-million. When he retired from active supervision in 1933, the figure had grown to \$2,700,000,000.

Mr. WIGGIN participated in many phases of banking and was noted for his many benevolences. At the height of his career he held over 40 directorates.

Mrs. Wiggin and two daughters survive.

ALLEN W. DANIELSON, assistant vice-president at Bank of America's Los Angeles headquarters, has been assigned to the southern and southwestern states as the bank's corporation and bank relations department representative. Mr. DANIELSON has been active in the American Institute of Banking and is presently serving on the board of governors of Los Angeles Chapter. He was a co-winner of the national debate finals at the A.I.B. convention two years ago in the initial contest for the Jesse H. Jones debate prizes.

CHARLES H. JONES, vice-president of Manufacturers Trust Company, New York, has been elected to the general administrative board of the bank.

T. J. HERBERT, member of the investment faculty of The Graduate School of Banking since 1943, has been made vice-president of Diversified Funds, Inc., and Manhattan Bond Fund, Inc., mutual investment companies in New York. Prior to accepting the new position he was vice-president of the American National Bank & Trust Company of

Albert H. Wiggin





Olavi Silvonen



Donald C. Adams

Chicago, and has been chairman of the Trust Investment Committee of the Illinois Bankers Association. Mr. HERBERT is author of the forthcoming textbook, *Investments*, to be published by the American Institute of Banking.

New vice-presidents of Irving Trust Company, New York, are DONALD C. ADAMS and OLAVI SILVONEN.

ROY W. MOORE, president of Canada Dry Ginger Ale Inc., has been elected to the board of Irving Trust Company, New York.

JAMES J. ROONEY, senior vice-president of Emigrant Industrial Savings Bank, New York, has been elected a trustee of the bank.

RALPH E. KIPLINGER, president of Guarantee Mutual Life Insurance Company, has been elected to the board of directors of the United States National Bank of Omaha.

W. A. Graham, right, is greeted on his 100th birthday in front of his bank at Pryor, Okla., by Coke Blake, a friend since the 1890s when both were cowboys in Indian Territory. Note sign naming street in honor of Banker Graham. *Life* devoted two pages of pictures to the birthday celebration



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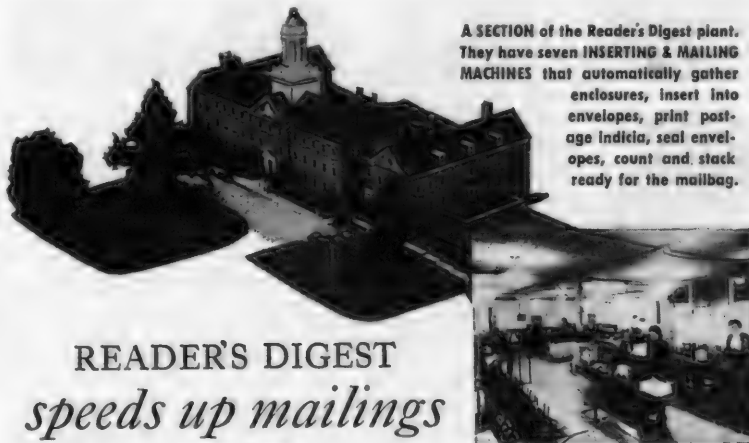


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J. E. McFadden
PRESIDENT



OFFICES IN PRINCIPAL CITIES OF THE UNITED STATES AND CANADA

News About Banks

The SOUTH WEYMOUTH (Massachusetts) SAVINGS BANK held an all-day open house to show its remodeled quarters.

The GENESEE VALLEY NATIONAL BANK AND TRUST COMPANY of Geneseo, New York, held an all-day open house to celebrate its 100th anniversary. It becomes the second member of the Geneseo Business Century club, the first member being the local newspaper, which gave considerable space to the bank's anniversary.

The STEPHENS NATIONAL BANK, Fremont, Nebraska, has changed its name to FIRST NATIONAL BANK OF FREMONT. The bank had been named for the late Dan V. Stephens, widely known banker who was its president.

The PENNSYLVANIA COMPANY FOR BANKING AND TRUSTS, Philadelphia, has opened its newly constructed Independence Hall office at the northwest corner of Sixth and Chestnut Streets. This is the first privately owned structure built on the new mall which will extend north from Independence Hall to Market Street and later to the Delaware River Bridge. The Independence Hall office of the bank was located in one of the buildings which is to be demolished to make way for the construction of the mall.

The banks of Syracuse, New York, accepted as their contribution to the Red Cross blood donor program, the months of May and October as their donor months. One bank, THE MERCHANTS NATIONAL BANK AND TRUST COMPANY, furnished 44 donors in May.

The MONTCLAIR (New Jersey) TRUST COMPANY held an open house to celebrate its 50th anniversary.

The SOCIETY FOR SAVINGS, Cleveland, has been given a merit award by "Advertising in Action," sponsored by Standard and Poor's Corporation, for outstanding efforts in the development of goodwill and education through advertising among the country's banks and investment houses. Basis for the award is SOCIETY's school savings (CONTINUED ON PAGE 30)

Will Santa take you for a sleigh ride again?

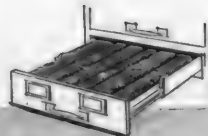
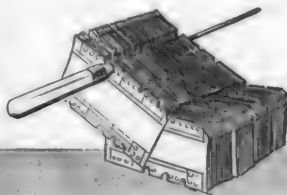
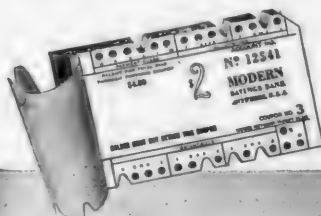
Praised to the skies as a source of new business, a Christmas savings plan often runs into tough sledding.

It's true that more than ten million Americans are depositing over a billion dollars in savings plan accounts this year. It's true that close to one third of that money will wind up in permanent accounts. And it's true that many a special savings account depositor will become a regular depositor.

But high clerical and accounting costs, annoyed customers and consequent loss of good will, can make a savings plan a pain in the neck.

That's why more and more banks are turning their savings plan worries over to McBee. With pre-punched McBee Keysort coupons as deposit slips, a bank needs no special tellers, no stamp inventory accounting and pasting, no passbook posting. Customers needn't wait in line for special tellers . . . and the tellers themselves are spared wearisome details.

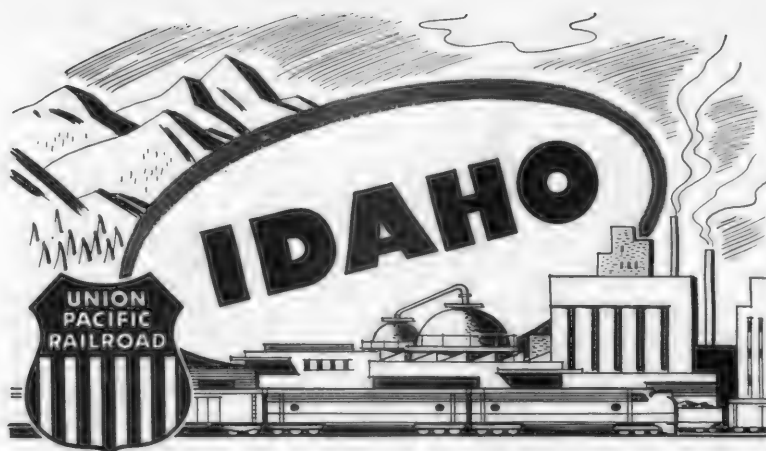
Now's the time to put your Christmas savings plan on a down-to-earth practical basis. Ask the McBee man near you for the whole picture. Or write us.



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295 Madison Avenue, New York 17, N. Y. Offices in principal cities
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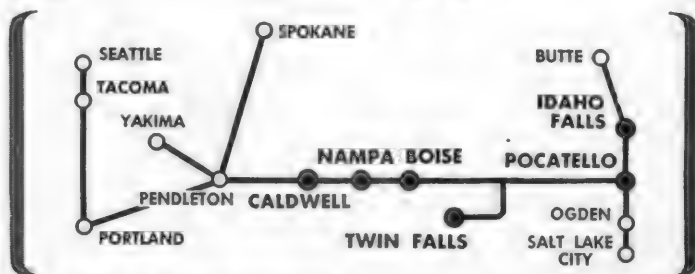


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UNION PACIFIC RAILROAD, ROOM 152
OMAHA 2, NEBRASKA

UNION PACIFIC RAILROAD

(CONTINUED FROM PAGE 28)

plan which banks in many parts of the country have adopted.

The RIVIERA BEACH BANK, Riviera Beach, Florida, has come into being. Its officers are: Byron L. Ramsing, chairman; Harry V. Nye, president; Roy Cuthrell, vice-president and cashier; W. N. Stowe, assistant cashier.

The AMERICAN NATIONAL BANK of Beaumont, Texas, published a profusely illustrated, gold-covered booklet in celebration of its golden anniversary.

The FIRST NATIONAL BANK IN ST. LOUIS has received clearance from the National Production Authority to proceed with a \$5-million modernization and new construction program.

The remodeled Vailsburg office of the LINCOLN NATIONAL BANK of Newark, New Jersey, features a special ramp for baby carriages; a kiddie parking lot with toys and play pen; a free weighing machine on which the numbers are visible only to the person using it; a conference room free to customers and civic groups; public telephones. The office is completely carpeted, has soft music and singing canaries, and is air-conditioned.

In the Kiddie Korner of the remodeled Vailsburg Office of the Lincoln National Bank, Newark, N. J., Barbara Williams accepts a lollipop from Fred W. Radel, first customer when the branch was opened in 1923. Lincoln President Carl K. Withers looks on. The Kiddie Korner has juvenile furniture and toys to keep youngsters happy while mother banks



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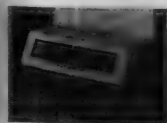
struction—all these and many more advantages are yours with Airtemp—originators of "Packaged" Air Conditioners and the high speed Sealed Radial Compressor.

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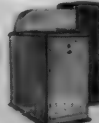
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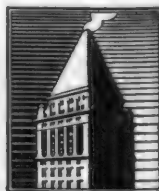
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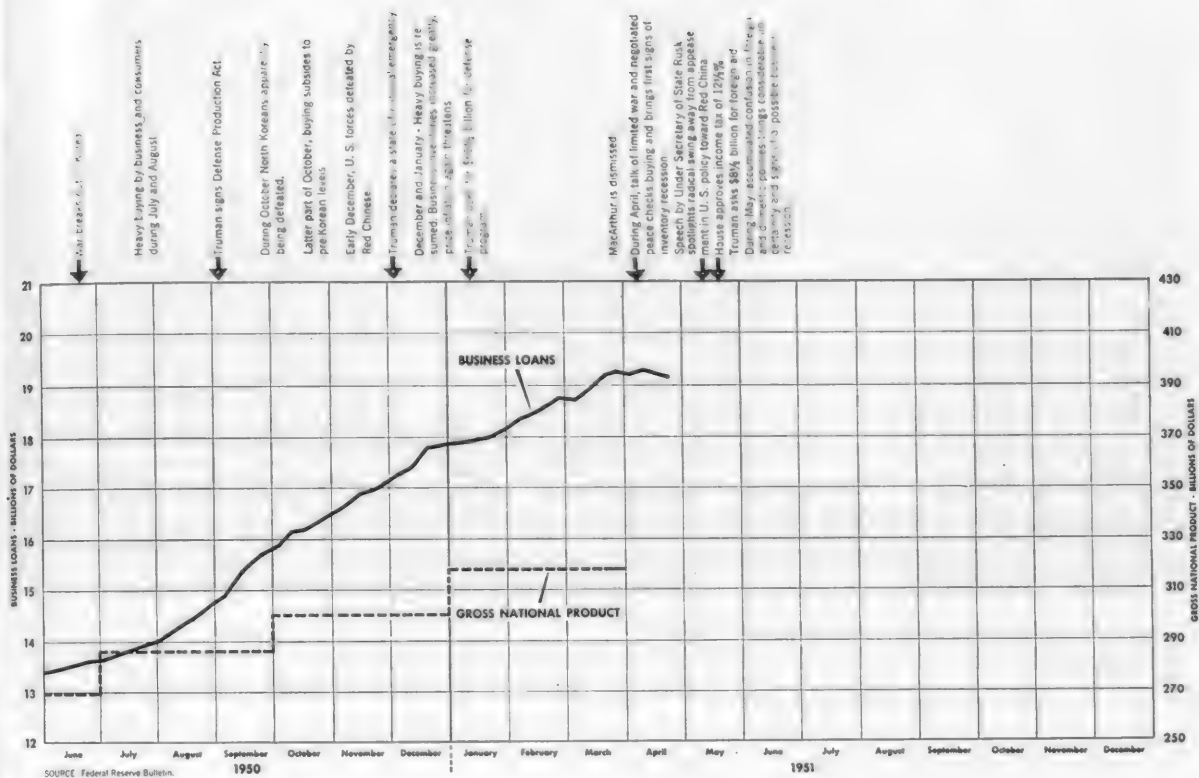
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The Condition of Business

This Editorial Describes the Year That Set a Pattern for Several Years

The Outlook. Breaks in the inflationary cycle will come from time to time but with war in Korea, a 10-year rearmament program, and the approach of a national election, business can rest assured that the inflationary tradition will be maintained in the style to which we have become addicted.

Rest is hardly the right word, because a disturbing fact is that a whole new generation of business knows nothing but inflation and regards it as normal. Even the old-timers must keep pinching themselves to remember that inflation is an economic sin.

Under these unnatural conditions a genuine outbreak of peace would naturally cause trouble, and even occasional false peace scares would be hard on the unwary.

Prevailing Obscurity

The future is obscure in a clear sort of way. A year ago nobody knew what the invasion of South Korea would entail—nobody, that is. Today the Great Debate

shows plainly that nobody knows much more than nobody knew a year ago. All things considered, it would seem that business must be ready for more inflation in the long run and for whatever happens in the short run.

A Year Ago

The most conspicuous news in the paper a year ago was that the Senate had extended the draft for three years and that General Bradley was conferring with General MacArthur in Tokyo on a possible peace treaty with Japan. Secretary Acheson was in Cambridge receiving an honorary degree at Harvard. In his acceptance speech he made only one brief reference to China, to the effect that outside help to the Chinese even on a great scale could not replace the will of the people to preserve their independence. He urged Russia to adopt a "live and let live" policy.

There were stories about California University oust-

(CONTINUED ON PAGE 112)



Senators considering the 1952 armed services budget were given some graphic examples of the higher cost of defense. Left to right are Deputy Secretary of Defense Robert Lovett, Under Secretary of the Air Force John McCone, and Senator Joseph C. O'Mahoney, chairman of the Armed Services Subcommittee of the Senate Appropriations Committee. On the table at the left is a bombsight and navigation mechanism currently used, while next to it is the famous World War II Norden sight

Mainly, the Wilson Report

LAWRENCE STAFFORD

IT is VCR again, and with all possible emphasis. Factually, the situation is that all the Administration's key officials concerned with the problem of monetary inflation considered all the alternatives for preventing such inflation and have most obviously agreed, if they did not say so in just so many words, that:

So long as circumstances are what they look to be and the emergency is no greater, the Voluntary Credit Restraint Program offers the best, most feasible, desirable, and practical device for preventing an inflationary utilization of credit.

This was plainly inferred from the Wilson Report of a few weeks ago. After a lengthy discussion of the problem of inflation and means to prevent it, the Wilson Committee

actually came to agreement upon a set of 11 recommendations.

The first five of these recommendations were substantively an endorsement of VCR and a plug for its widest possible application.

Thus, the first recommendation was that Sec. 708 of the Defense Production Act, which legally provided for VCR, be continued. The second recommendation suggested "close liaison" between defense mobilization officials and the National Voluntary Credit Restraint Committee. The third proposal was that the cooperation of state and municipal officials be obtained for VCR.

Recommendation No. 4 was that consideration be given to including in the program types of institutions not now taking part. The fifth recommendation was that "Govern-

ment loan and loan guarantee agencies should follow policies consistent with those of comparable private lending institutions as set forth in the Statement of Principles of the National Voluntary Credit Restraint Program."

The sixth recommendation was to continue regulation of consumer installment purchase loans; the seventh, that the authority for regulation of mortgage credit on the sale of new homes be continued and that it be amended to provide for regulation of mortgages on existing houses. An eighth recommendation related to regulation of margins in commodity speculation.

Ninth of the Wilson Committee proposals was that "The Congress be urged to act promptly and favorably on the proposals for emergency

additional bank reserve requirements, when these are advanced by the Board of Governors of the Federal Reserve System."

A tenth proposal was that "mandatory control of credit be imposed only if the problem to be solved is most serious, and only after a demonstration that more moderate measures are too slow in their impact or too uncertain in operation, or are otherwise inadequate. While we do not propose the imposition of such mandatory controls at this time, detailed plans for their imposition, in the unfortunate event they become necessary, should be prepared."

Finally, the Wilson Committee reasserted the need for a "pay-as-we-go" tax program.

These recommendations amount to 5-time emphasis on the importance of VCR, plus a restatement of Administration positions on commodity, instalment, and real estate credit, and on the necessity for higher taxation.

National Committee Ready

Even as the Wilson Report was issued, the National VCR Committee was moving to carry out these recommendations, as well as ideas of its own.

Thus, savings and loan associations were given representation on the national committee. Organizationally the national committee was permitting and encouraging a development of local and regional voluntary credit restraint committees for commercial banks wherever the volume of inquiry and case load made such localization of committees useful. There was also in process a greater regional enlargement of committees for the investment business.

Then, too, the committee began as early as May to provide for a comprehensive development of voluntary restraint in the extension of mortgage credit on existing real estate. This provided fulfilment by voluntary means of one of the stated objectives of legislation—the restriction of the terms of mortgages financing the sale of existing, as distinguished from new, houses. The latter are covered under Regulation X of the Federal Reserve Board and Housing and Home Finance Agency, as provided for by the DPA.

Furthermore, the National VCR began to consider the problem of

covered lending institutions and their relationship with sales financing companies. This was to plug any potential or possible "leak" in credit, sales finance companies already being subject to Regulation W, relating to consumer instalment purchase loans. Finally, the committee very quickly established a liaison with the agencies regulating defense production and materials, and tackled the problem of inflationary foreign (particularly Canadian) financing in the U. S. money market.

Report's Significance

Except for the aforementioned 11 recommendations, the significance of the Wilson Report upon future monetary moves and as a hint of the drift of official thinking is largely discounted in informed quarters.

It is discounted in a large part because circumstances have changed so considerably since the Wilson Committee was formed at the White House meeting February 26. At that time tension was acute between the Treasury and the Federal Reserve Board.

Since then tension has abated not only as a consequence of the March 4 agreement between the two agencies, but by what has followed. Nevertheless, a report was drafted because it seemed called for, in view of the publicity given the committee. At first it was decided to drop the idea of a public report, but when news stories in the daily press referred to this decision as "suppression," it was decided to release it after all.

In part the body of the Wilson Report, as distinguished from its recommendations, was reminiscent

of the rancor of three months before. The mechanical process of preparing the report consisted of the contribution by each agency of a section reflecting that agency's parochial viewpoint.

In the final drafting of the report an attempt was made to rough off the sharp edges of differences among agency viewpoints, but this was not altogether successful, leaving the body of the report open to misinterpretations.

Actually the 11 recommendations were what the Secretary of the Treasury, Council of Economic Advisers, Director of Defense Mobilization, and chairman of the Federal Reserve Board reached a majority agreement upon.

Report's Net Contribution

Net contribution of the Wilson Report to the course of events may be summarized as follows:

(1) It appeared to indicate that the Federal Reserve System would ask for higher standby reserve requirements.

Such a plan of higher reserves, however, had not been announced at the time of writing. Congress proved so unable to crystallize its thinking about the kind of a new Defense Production Act it wanted that a temporary extension of DPA seemed called for. It was not thought practicable to get any new legislation, such as higher reserve requirements, written into a temporary extension.

In any case, Congressional sentiment in a large measure reflected Administration sentiment that VCR was the thing. In particular, Chairman A. Willis Robertson (D., Va.) of the Federal Reserve subcommittee

(CONTINUED ON PAGE 103)

Withholding Tax on Interest

The controversial clauses in the omnibus tax increase bill of the House, requiring the withholding of taxes on savings account interest, were in a now-you-see-it-now-you-don't state just before the bill finally left the Ways and Means Committee. The committee finally reversed itself by voting against withholding taxes on interest on savings accounts and U. S. Savings Bonds. The provision regarding interest on corporate dividends and corporate bonds was retained.

After House action comes the Senate Finance Committee's consideration of the measure.

The Investment Market

Governments—Other Securities

Government Bonds

MURRAY OLYPHANT

THE first five and a half months of 1951 were unusual in that the Treasury was faced with no necessity for refunding any maturing issues other than Treasury bills once the January 1 certificates had been taken care of. Hence, the Federal Reserve authorities had the opportunity to test the effect of their credit restraint policies, both on market prices and public sentiment, without the disturbing factor of new Treasury needs, which created so much confusion in the last half of 1950 and so heavy a cash drain on the Treasury's general fund because of dissatisfaction with the terms of the new offerings. While there are diverse opinions as to whether the "solo" was altogether

pleasing to the audience, the next act must be a duet. The Treasury now reenters the stage. Developments as May ended certainly indicated that the tune to be sung would be so harmonious that the audience might well join in singing the chorus.

A Realistic Offering

The Treasury on May 28 offered holders of the $2\frac{3}{4}$ percent bonds called on June 15 and the $1\frac{1}{4}$ percent notes maturing on July 1 (over \$10-billion altogether) a new Treasury certificate with a $1\frac{7}{8}$ percent coupon and maturing in only $9\frac{1}{2}$ months. The combination of rate and maturity was specifically designed to meet the requirements of

the over 50 percent of the maturing note holders—largely corporations—to give them assurance that the exchange could be made with no market risk; to limit the demand for cash on maturity and—perhaps—to mark the peak of the rise in the short-term interest rate.

Teamwork

Almost at once evidence of Open Market Committee interest in the success of the offering was apparent. While for some time their money market moves had consistently tended toward tightness, now there was a reversal of their attitude. Anyone who wanted to sell the maturing issues found a premium readily obtainable. A good "rights value" was freely paid.

At the market close on May 28, quotations for the several issues were:

	Asked	Yield
2½ % bonds 6/15/51	100 5/64	.84%
1¼ % notes 7/1/51	1.36% basis	

By June 1 the market was:

2½ % bonds—100 9/64—a premium of 65¢ over a no-yield basis	
1¼ % notes—100 7/64—a premium of 19¢ over a no-yield basis	

The notes due on August 1 rose from a 1.46 percent basis to 1.15 percent and were in scant supply. They may (probably will) have a "rights value" when the terms offered for their exchange are announced early in July. Even the 1½ percent, 1½ percent and 1¼ percent notes maturing on 3/15/54, 3/15/55, and 12/15/55, respectively, which, in view of the closeness of the rate to that for the shorter-term, might have been expected to weaken, held firm with some price

The Credit Policy Report

As full comment on the Wilson Committee report is given elsewhere in this issue (beginning on page 34), we merely quote the reference to the Government market which—after noting that refunding and new money issues of the Treasury in the last half of the year would amount to about \$50-billion—said "under these circumstances it is imperative that any additional requirements for bank reserves imposed by the Federal Reserve should be such that they do not have a disrupting effect on the market for Government securities." Just how this answers the questions which were originally asked the committee is hard to see. The buck would seem to have been passed to the Federal Reserve and Congress. It is not the fault of the committee. The problem put up to them was similar to that posed in the old limerick:

There once was a man who said, "Why
Can't I look in my ear with my eye?
I'm sure I could do it
If I put my mind to it.
You never can tell till you try."

improvement. Similarly, the rate at which Treasury bills could be acquired became a little lower. There was a demand for bills from those who had sold their maturing issues. All the bonds callable in 1952 bettered their prices. The whole short-term market began to indicate that opinion was veering to the belief that no further rise in short-term rates was to be expected.

On Its Own

Pretty much left to itself, the market for the longer-term bond issues drifted lower during May. There was no real volume of offerings, but rather a lack of buyers. The bank 2½s on June 1 at 99 14/32 were off ½ point, while the longest partially tax-exempt 2¾s 65/60 had declined ⅞ for the month. The restricted issues were not down so much, but the Victory 2½s at about 97 were down ⅝ for the period. Liquidation from insurance company sources seemed to have lightened, but the high cost of borrowed money still deterred dealers from making any purchases unless they had someone to whom the bonds could be sold.

Open Market Committee Less Active

Last month we commented on the increase in the Federal portfolio to April 25. The actual high point was on April 11, when the total was over \$23-billion. By the end of May it was \$700,000,000 less. In the five weeks from April 25 to May 29 only \$124,000,000 of the long bonds were bought, while the total of the shortest issues declined \$770,000,000. This decline was due to the failure of the Open Market Committee to renew its weekly maturing bill holdings, which is a most effective method of squeezing the money market. Federal bill holdings are now less than \$700,000,000 of the \$13,500,000,000 currently outstanding.

The acquisition of an average of only \$25,000,000 long bonds a week for the five weeks to May 29 is a very sharp drop from the average of over \$125,000,000 a week for the eight weeks from February 28 to April 25. It certainly looks as if scared selling of the longer bonds might have run its course.

The decline in the size of the Federal portfolio carried over into the total of member bank reserves. These declined \$650,000,000 in the period covered. At long last the

credit restrictive policies seem to have taken hold.

Fed and Treasury Purchase Details

By comparing the Treasury "Survey of the Ownership of Government Securities" as of December 31, 1950, and February 28, 1951, it is now possible to see just which bond issues were bought by the Federal Reserve and U. S. Government investment accounts during January and February. These purchases consisted of \$253,000,000 of the unrestricted issues and \$625,000,000 of the restricted bonds. These were:

Unrestricted		
2½%	9/15/53/51	\$203-million
2½%	6/15/54/52	176-million
2½%	12/15/54/52	69-million
2½%	3/15/58/56	5-million
	Total	\$253-million
Restricted		
2¼%	6/15/52/59	\$4-million
2¼%	12/15/52/59	4-million
2¼%	67/62	2-million
2¼%	71/66	1-million
2¼%	6/15/72/67	267-million
2¼%	12/15/72/67	348-million
2¼%		\$627-million
2¼%	68/63	—2-million
	Total	\$625-million

The fact that the period was that in which the increased reserve requirements for member banks became effective accounts for the purchase of the earlier callable unrestricted bonds, which was not usual. Purchases of the restricted bonds were almost entirely concentrated in the longest 2½ percent issues.

Of the \$627,000,000 of the longest bonds, at least \$300,000,000 were for the Treasury investment accounts. The other purchases were for the Federal portfolio. These purchases

were all made while the market for the 2½s 1972/67 was being held at about 100²³/₃₂. When the report for the end of March is available a somewhat more general purchase of the unrestricted bonds will be shown, as after the break in prices early that month both the Treasury and the Federal increased their purchases and the latter did not limit its acquisitions so strictly to the longest bonds.

New Daily Statement Items

By May 28 holders of \$225,000 of maturing Series E Savings Bonds had accepted the right to exchange them for the new "redeemable-at-100" Series G bonds. This is a new item now appearing in the *Daily Treasury Statement*. The exchange puts the bond holder on a full 2½ percent current interest basis. The redeemable privilege removes all market risk. It is a valuable privilege which should be accepted.

Another new item shows that holders of \$24,000 of the nonmarketable 2¾ percent bonds 1980/75 have exchanged them for the 5-year 1½ percent notes, presumably so the latter could be sold. As they must have sold at a discount of between 3 and 4 points it was a curious decision.

Shift in Bank Earnings Source

The tremendous change in the source of earnings for commercial banks which has taken place since the end of the war is clearly shown by comparing the percentages for

(CONTINUED ON PAGE 93)

Other Securities

UNDERWRITING of municipal, state and corporate securities continued at a lively pace. Reception was better than expected and supported by a revival in the equity markets, primarily spark-plugged by oil securities.

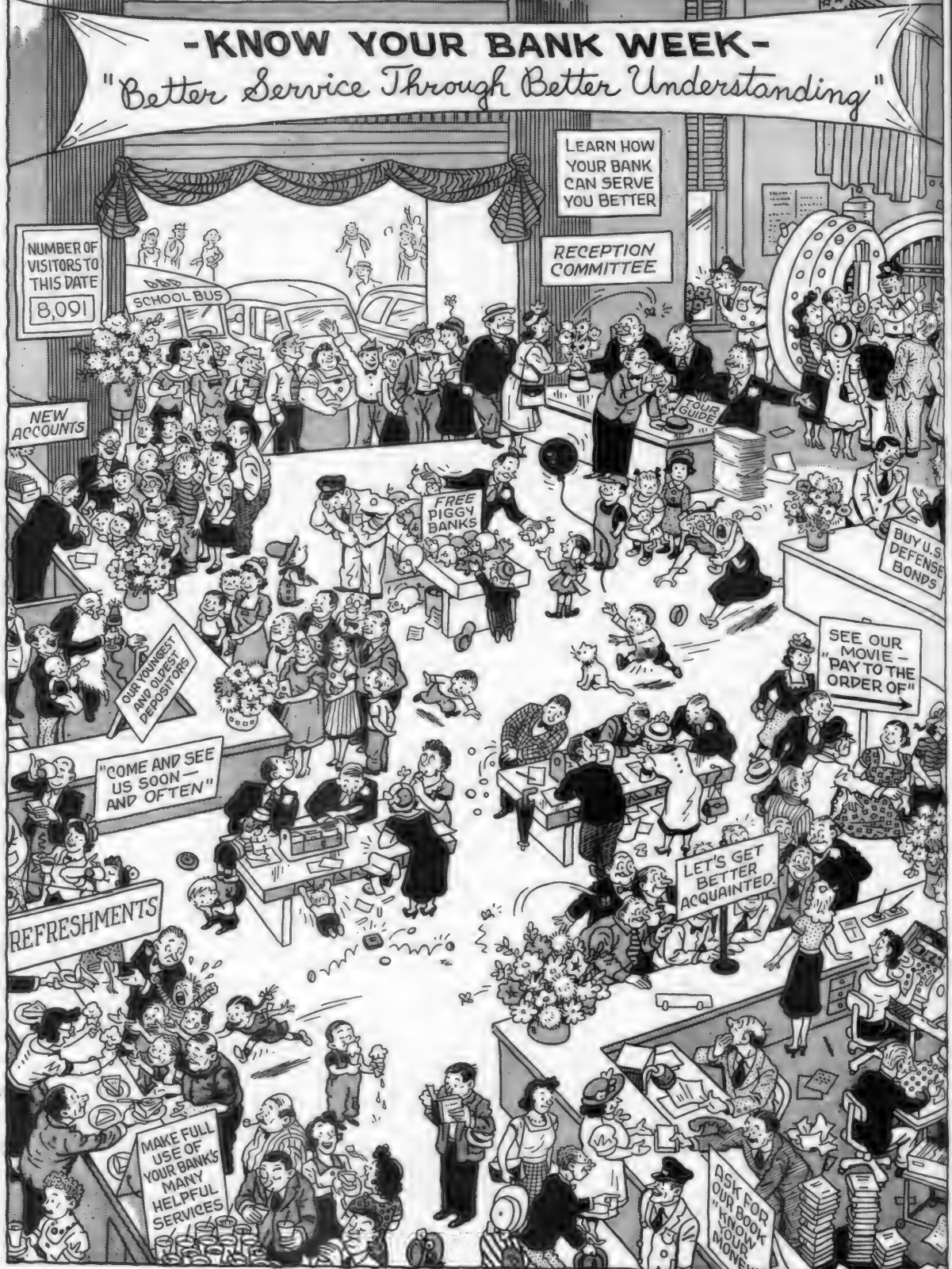
This, in turn, was caused by excellent earning reports, new petroleum discoveries and the discontinuance of antitrust legislation by the Department of Justice, as well as by the immediate prospect of shortages because of the Iranian nationalization of oil.

Another factor influencing the capital markets was a better tone in Government securities and greater harmony between the Federal Reserve System and the Treasury, credited in a large degree to William McChesney Martin, Jr.

Underwriters expect, however, that, except for routine offerings of state and municipal securities, utility issues, and rail equipment trust certificates, the usual summer lag will make itself felt soon.

OPEN HOUSE

GRAHAM
HUNTER



METHODS *and* IDEAS

Staff "Fringe Benefits" in Statement Form . . . Check-Style Deposit Tickets . . . A Way to Build the Mailing List . . . Automatic Packaged Currency Dispenser . . . Free Pay-As-You-Go Checks for Savers . . . Public and Employee Relations

This department is edited by JOHN L. COOLEY of BANKING'S staff.

Bank Employees' "Fringe Benefits"

Do the employees of your bank know the real value of their "fringe benefits"? Do they consider, as part of their compensation, the bank's contributions to the insurance, pension, hospitalization, Social Security and other plans or facilities that are real, if easily overlooked, increments to each individual's personal finances?

Whether your bank is large or small, the chances are the answer to both questions is "No." And it's possible, also, that you don't emphasize these benefits when you're hiring a new employee.

Some banks publish special annual reports for the staff, pointing out the *totals* they paid out for these benefits. But the figures are not personalized; each employee is not told how much *his* pension, *his* insurance, etc., cost the bank.

BANKING knows of one instance where "fringe benefits" are presented annually to the staff in terms of each individual's share in them.

The BANK OF KENNETT, at Kennett, Missouri, a \$6,000,000 institution, gives each employee, with his or her year-end tax withholding report, a simple mimeographed statement (see form below) which records the cost to the bank of the vacation or sick leave time; cost of insurance and pension during the year and also *from the beginning of the plan*; the estimated cash value of the insurance and pension at age 65; estimated monthly income from the pension and from Social Security at age 65.

The figures are highly interesting. Not only do they show that the employee's salary isn't his entire compensation; they give him a better picture of his net worth.

The plan has been in use for two years. President J. C. Welman says the employees like it.

The Idea Spreads

ALTHOUGH fringe benefits, as a rule, seem to be taken for granted by both employer and employee, there are bankers who believe that it would be well to stress them. Indeed, the Personnel Com-

mittee of the Country Bank Operations Commission, American Bankers Association, introduces the subject in its new manual, "How to Make a Salary Area Survey."

It happens that Mr. Welman is chairman of this committee, and he made his statement idea available to that group when it undertook the studies for the manual. As a result, a somewhat more extensive statement of fringe benefits, intended for distribution to bank staffs, is suggested in the pamphlet. The items can, of course, be adjusted to meet circumstances in individual banks. Here is the tentative form:

Name of Employee Date

COMPENSATION FOR YEAR 1950:

Regular \$
Overtime \$
Bonus \$
Special \$
Total compensation for 1950. \$

COST OF ADDITIONAL BENEFITS

PROVIDED BY BANK:

Life insurance and pension premiums . . . \$
Hospitalization and surgical ins. premiums \$
Social Security payments \$
Vacation .. days @ \$. . per day \$
Sick leave .. days @ \$. . per day \$
Holidays .. days @ \$. . per day \$
Reimbursement for educational expenses. . \$
Other expenses \$
Total cost of additional benefits \$
Total salary plus additional benefits (1950) \$

Cost to bank for your insurance

Bank of Kennett's employee "fringe benefits" statement form

Name of Employee	Date
Accumulated vacation and sick leave time value at present salary, in case of separation:	
Vacation days @ \$ per day = \$	Compensation FOR YEAR 1950
Sick leave days @ \$ per day = \$	Regular \$
Total separation value of vacation and sick leave as of Dec. 31, 1950. \$	Overtime \$
	Bonus \$
	Special \$
	TOTAL \$
Cost to bank for your insurance and pension benefits for year 1950. \$	
Cost to bank for your insurance and pension benefits from beginning of plan to 12/31/50. \$	
Estimated cash value of insurance and pension to you @ 65. \$	
Estimated monthly income from Social Security @ 65. \$	
Estimated monthly income from Social Security @ 65. \$	
Total estimated monthly income from pension and Social Security @ 65. \$	

and pension benefits from beginning of plan to 12/31/51\$.....
 Your cost for insurance and pension benefits from beginning of plan to 12/31/51\$.....
 Estimated cash value of insurance and pension at age 65\$.....
 Estimated monthly income from pension plan at age 65\$.....
 Estimated monthly income from Social Security at age 65\$.....
 Total estimated monthly income from pension and Social Security at age 65\$.....

Automatic Packaged Currency Dispenser

A MACHINE that automatically dispenses packaged currency has been invented by Hiland B. Noyes, president of the UPPER NATIONAL BANK, Chicago, and his brother-in-law, Emerson E. Fries. A companion gadget is a device that wraps a stack of bills in a tenth of a second.

The machine, now being tested at the bank, was modeled by the inventors on their kitchen table. It will deliver up to \$300 in currency to the teller as he determines the amount on his computation machine.

In cashing a check the amount is printed on the check, an accounting record is made for the bank, and the correct amount of currency is provided for the customer. The operation takes four or five seconds.

The pre-packaged currency is stored in a magazine.

Bank Gives Scholarship

THE HOUSTON NATIONAL BANK of Houston, Texas, has a 75th anniversary program that is also an experiment in community relations.



The dispenser automatically delivers pre-packaged currency to customers as the clerk operates his computer

The bank opened its diamond jubilee year by announcing the establishment of a permanent scholarship in banking and finance at the University of Houston. The program will send a male senior from one of the city's high schools to the university every year for four years of study, thus providing for the education of four young men.

Also celebrating in more traditional ways, the Houston National invited the residents to an open house. For this party the tellers wore old-fashioned eye shades, string ties and black sleeve protectors. Women members of the staff costumed in the styles of 1876 greeted visitors, kept the guest register, and pinned orchids on the ladies. Old photographs, a display of money, and a big birthday cake were other features. The bank also had gold pencils for all customers who are at least 75 years old.

To keep the anniversary before the public, the Houston is running a

series of newspaper ads centered around the city's landmarks, relating them to the bank's own history.

Check-Style Deposit Tickets

ANOTHER step in the direction of a check-style deposit tickets is reported by the FAIR LAWN-RADBURN TRUST COMPANY of Fair Lawn, New Jersey, which is using this form of ticket for both its regular and special checking accounts.

In the case of the regular ticket (the size of a check) the customer lists his deposits and total on the reverse side. There is space for 24 items. Then he turns the ticket over and prints the name of the account and the date.

The remainder of the face (see illustration) is for bank use. The upper right-hand corner accommodates the certification of the receiving teller on his machine while the receipt is being printed. This figure is used by the bank in all subsequent entries of the deposit.

The tickets can be sorted with the checks for posting, or separately, as procedure dictates. In any event, the deposit ticket is read horizontally and the bookkeeper posts from a printed name and a machine printed figure which is the same as the customer's receipt.

This ticket is especially convenient for use in the automatic feeders on some bookkeeping machines. It is unnecessary for the bookkeeper to tilt her head, as on conventional tickets, and all figures read the same as on the checks. There are no long, folded tickets to interfere with the posting; also, the uniform size aids microfilming.

(CONTINUED ON PAGE 92)

Deposit items are listed on the reverse of the check-style deposit slip. The bank uses another slip (illustrated on page 92) for its pay-as-you-go accounts

REGULAR CHECKING ACCOUNT DEPOSIT FOR CREDIT OF

PLEASE PRINT NAME OF ACCOUNT IN FULL

IN
FAIR LAWN-RADBURN TRUST COMPANY
FAIR LAWN, NEW JERSEY

TO

ITEMS RECEIVED FOR DEPOSIT OR COLLECTION ARE ACCEPTED ON THE FOLLOWING TERMS AND CONDITIONS. THIS BANK ACTS ONLY AS DEPOSITOR'S COLLECTING AGENT AND ASSUMES NO RESPONSIBILITY BEYOND ITS DUTY OF DUE CARE. ALL ITEMS ARE CREDITED SUBJECT TO FINAL PAYMENT AND TO RECEIPT OF PROCEEDS OF FINAL PAYMENT IN CASH OR SOLVENT CREDITS BY THIS BANK AT ITS OWN OFFICE. THIS BANK MAY FORWARD ITEMS TO CORRESPONDENTS AND SHALL NOT BE LIABLE FOR DEFAULT OR NEGLIGENCE OF CORRESPONDENTS SELECTED WITH DUE CARE NOR FOR LOSSES IN TRANSIT, AND EACH CORRESPONDENT SHALL NOT BE LIABLE EXCEPT FOR ITS OWN NEGLIGENCE. ITEMS AND THEIR PROCEEDS MAY BE HANDLED BY ANY FEDERAL RESERVE BANK IN ACCORDANCE WITH APPLICABLE FEDERAL RESERVE RULES, AND BY THIS BANK OR ANY CORRESPONDENT, IN ACCORDANCE WITH ANY COMMON BANK USAGE, WITH ANY PRACTICE OR PROCEDURE THAT A FEDERAL RESERVE BANK MAY USE OR PERMIT ANOTHER BANK TO USE, OR WITH ANY OTHER LAWFUL MEANS. THIS BANK MAY CHARGE BACK AT ANY TIME PRIOR TO MIDNIGHT ON ITS BUSINESS DAY NEXT FOLLOWING THE DAY OF RECEIPT, ANY ITEM DRAWN ON THIS BANK WHICH IS ASCERTAINED TO BE DRAWN AGAINST INSUFFICIENT FUNDS OR OTHERWISE NOT GOOD OR PAYABLE. AN ITEM RECEIVED AFTER THIS BANK'S REGULAR AFTERNOON CLOSING HOUR SHALL BE DEPOSITED RECEIVED THE NEXT BUSINESS DAY.

ITEMS

We invite you
to use

other services for your convenience

Savings Accounts
All Types of Loans
Travelers Checks
Safe Deposit Boxes



Mortgage Loans
Collections
Foreign Exchange
Christmas Clubs

Please complete the deposit ticket on reverse side.

The Impact of Defense Spending on Bank Lending

Here are a few comments by Voluntary Credit Restraint committee chairmen in those Federal Reserve districts from which BANKING had heard at the time of going to press. Additional interviews will appear in subsequent issues

NEXT to the rearmament industries themselves, there is, perhaps, no other business in the United States as vital to the defense effort as the banks. Indeed, the entire program could well collapse if loaning officers all over the nation would not work earnestly at this time scrutinizing how their customers' credit needs could be satisfied.

Without credit, obviously, orders for more production could not be filled and schedules for more planes, equipment, guns and the legion of other materials could not be kept.

Up to this point, the V-loan program which worked so well in the last war is, of course, just in its infancy. Moreover, loaning officers seem to feel that, unless the defense effort is either doubled or trebled, the volume would not be very great, although estimates place potential defense contracts financing at this time at about \$1-billion.

However, the term "V-loan" as applying to financing of rearmament production is a somewhat elusive expression. In the first place, there are many goods that serve a dual role for defense and civilian use. This applies to freight cars, for example, to pipe lines, to some automotive equipment, electrical goods, electronic gadgets and many others. Moreover, the emphasis on civilian output, in addition to guns, is still great and certainly much greater than during the last war.

This makes the classification of V-loans difficult, since, say, General Motors, using its normal credit facilities, may very well employ part of the funds for the manufacture of Government orders without necessarily discussing it beforehand.

In other words, banks may very well, without knowing about it, have loans on their books which could be called defense production loans.

In fact, so far most of the loans which have been negotiated for rearmament efforts have been outside the strict V-loan category, without assignment of contracts and thus without Government guarantee.

The advantages of a V-loan are not great for either the bank or the borrower. The processing, including application to the Federal Reserve banks and clearance with the specific branch of the Armed Services giving the order, is time consuming. One loaning officer in New York estimated that this process can hardly be completed under, say, four to six weeks before funds can be made available. That is the first drawback for the borrower. A normal loan can be negotiated in a much shorter period.

V-Loan Rate Scales

Secondly, there is the question of rates. The highest prescribed V-loan rate is 5 percent annually. In case of the highest guarantee of 100 percent by the Government, the commercial bank gets only 2½ percent of the commission, the balance going to the Federal Reserve banks. That is hardly considered attractive for a loan which, otherwise, would not be made at all, since full guarantee implies the poorest possible normal risk.

V-loan rate scales vary, of course, depending on the amount of the guarantee. The share of the commercial bank goes up as the Government guarantee is reduced.

A realistic credit man's viewpoint was expressed by one New York

banker, discussing V-loans and the Government guarantee specifically. Said he: "The guarantee, credit-wise, really does not add anything to a loan because the debtor owing the bill—namely the Armed Services—also is the guarantor. You don't add another name to your paper, at all."

Be that as it may, for old established concerns with proved managements which have credit arrangements of long standing with their banks, the V-loan procedure is resorted to only if defense orders grow considerably above the company's normal business. It must be pointed out, however, that even for the old manufacturer a V-loan can be of advantage under certain circumstances, since it almost automatically increases his priority for materials otherwise hard to get.

The V-loan also has a psychological advantage for the banker because, regardless of his loan volume, he could hardly be accused of not complying with the voluntary credit restraint aims of the Government if he makes essential loans for rearmament. Another point in favor of the V-loan for the lender is that, for such purposes, the legal lending limit of his bank is suspended. In other words, it may be exceeded.

The weighing of these pros and cons as they apply to individual loan applications all over the country is occupying loaning officers at the present time. It is their normal job and they are doing it well for the benefit of the country, for their customers and to the credit of the financial business.

Although nearly all banks seem to have made a small proportion of V-loans in various parts of the

United States, their greatest concentration seems to be in the Cleveland area at the present time and in the Middle West, generally. In this section are many subcontractors who are logical prospects for this type of financing.

Smaller concerns of good standing and excellent manufacturing reputation, with a normal bank credit of say \$50,000 to \$100,000, are suddenly confronted with defense work requiring double their normal financing. It is under such circumstances, particularly, where the V-loan serves a very useful purpose and where the Government guarantee of the excess amount comes into constructive economic play.

Recent difficulties under the Assignment of Claims Act whereby the Government could have withheld from their contractual payments any alleged deficiencies of Federal tax payments, have now been removed by legislation enacted this spring, as noted in these pages in the last issue. Thus, the prospect of a greater volume of V-loans is a certainty, in the opinion of most bankers, particularly among the smaller and middle-sized businesses doing defense work much above their normal volume.

With the gradual increase in defense production and the necessity of more loans by banks to satisfy these needs, the overall volume of business loans is likely to rise, unless there should be a sharp curtailment of civilian output or demand.

So far this year, the usual spring decline of commercial and industrial loans has been only very modest. For the New York member banks it was, on June 1, only \$146,000,000 below the new peak of \$7.7-billion reached on March 21. Usually, loans increase seasonally again after July 1, and there is little expectation that final figures for June will show a very great reduction.

Hence, the forecast for a rising volume of bank loans seems a reasonable one. V-loans and other defense production credits will naturally be a contributing factor.

In the 2d Federal Reserve District

George Whitney, chairman of J. P. Morgan & Co., who heads the voluntary credit restraint program in the Second Federal Reserve District, is satisfied that the aims and



Mr. Whitney

purposes of bank credit restrictions have been fulfilled.

There are no statistics to prove this, but loaning officers in the district have reported not too infrequently questioning of loan applications in various fields. Some such requests have been turned down, others have been modified.

Even beyond the field of commercial banking, New York securities underwriters refused recently to bid for an issue of state veteran bonus bonds, authorized by voters in the last election, because they felt it would be inflationary and against the principles of VCR.

As to the future, the Controlled Materials Plan coming into effect July 1 is expected to be a further credit-restraining influence, according to Mr. Whitney, depending, however, on the effectiveness of this program and how it will affect the

Mr. Brown



more than 100,000 businesses to which it applies.

It will probably take some time before the teething troubles of CMP have been eliminated, but once that is achieved it is expected to aid materially the voluntary credit restraint efforts of bankers in outlining clearly the material requirement of industry.

So far, the impact of the defense program on bank lending has not been very great since most of the loans for this purpose have been made under ordinary credit lines rather than under V-loans.

The 11th District

In the 11th Federal Reserve District, the Voluntary Credit Restraint Committee is headed by Milton F. Brown, president of the Mercantile National Bank of Dallas. Mr. Brown was asked four questions by BANKING:

(1) *What has been the impact thus far of the Defense Program on bank lending?*

"Any estimates of the impact of the defense program on bank lending in this area," said Mr. Brown, "are subject to considerable uncertainty because of the difficulty of determining the amount of defense supporting loans and loans which are the result of business activity that has been stimulated indirectly by the defense program.

"Since April 18, however, the weekly reporting member banks in the district have submitted figures showing that new loans reported by these banks between April 18 and May 30 totaled about \$23-million and ranged from a weekly low of approximately \$2-million to more than \$6-million. Defense contract loans, as reported by these banks, accounted for about 4.6 percent of total new industrial and commercial loans made during the period. Perhaps it can be said, therefore, that in terms of direct impact on bank lending, the defense program has accounted for an additional 4.6 percent of loans. If allowance is made for the stimulative effect of these loans and for the probable amount of defense supporting loans, it is quite possible that the total effect of the defense program on bank lending may be in the neighborhood of from 8 to 10 percent."

(2) *What steps have been taken to expedite defense production loans as they develop in volume?*

"In general, it has not been necessary for the banks of this District to take any steps to modify their lending policies in order to expedite defense production. The banks in this area have been able to meet promptly and satisfactorily all requests for defense production loans that meet sound standards, whether with respect to banking or production.

"Again, this is a question that can only be answered in general terms, but I believe the statement above is a correct one. No cases have come to my attention involving changes in bank lending policies or inability to obtain financing for defense purposes. The commercial banks of the area, together with the operation of the V-loan program, have been able to meet defense requirements. Moreover, it is my understanding that activity under the V-loan program in this district has been comparatively moderate."

(3) Will the Controlled Materials Plan affecting over 100,000 businesses have any effect on lending policies?

"It is possible that the Controlled Materials Plan may have an effect on lending policies insofar as those policies apply to individual businesses. The plan should not have any effect, however, on the general character of bank lending policies. If, under the Controlled Materials Plan, some businesses and industrial establishments are unable to obtain necessary materials to complete final production, those firms, of course, will not be in a favorable borrowing position. On the other hand, to the extent that the Controlled Materials Plan diverts essential materials to businesses and industries, thus permitting those establishments to increase production or to carry forward their production activity more continuously, such firms would be in a better position to obtain bank credit. Consequently, I feel that, while the plan will not cause any fundamental change in bank lending policies, it may change the ability of a potential borrower to obtain credit."

(4) How is the Voluntary Credit Restraint program working out in general?

"It is my impression, and the impression of commercial bankers and Federal Reserve bankers with whom I have discussed the subject, that the Voluntary Credit Restraint



Mr. Potts

program is developing in a very satisfactory manner. Exact standards by which this program may be appraised obviously are lacking, but certain facts do stand out.

"In the first place, the amount of new commercial and industrial loans made by the weekly reporting member banks in the District has declined steadily since the Voluntary Credit Restraint program was instituted. For example, during May new loans made declined from more than \$90-million during the week ended May 2 to \$58-million in the week ended May 30.

"Secondly, total loans of the weekly reporting member banks declined by about \$20-million during April and May. Of course, some of these declines in commercial and industrial loans and total loans may be seasonal, and also are due in part to the general tightening that has occurred in the money markets, but I believe the Voluntary Credit Restraint program also has been a contributing factor in the right direction.

"Thirdly, bankers are screening loan applications much more carefully than they were three to six months ago to determine whether such applications have inflationary potentialities.

"Finally, wide publicity given to the program in this area through newspaper advertisements, radio announcements, and public addresses has had the effect of causing borrowers to consider their loan requests somewhat more critically themselves.

"During the past few weeks, of course, business activity has leveled

off, but, nevertheless, the demand for loans has continued very strong. This persistent, strong loan demand, together with the fact that the outstanding volume of loans has not increased, but, on the contrary, has declined slightly, seems to be evidence of some degree of effectiveness of the Voluntary Credit Restraint program. Probably the real test of effectiveness of the program will appear late in August or early in September, when seasonal loan demands increase strongly and when a revival of the upward trend of business activity, stimulated by larger defense expenditures, may be expected."

The 3d District

Following are the answers to these questions by Frederic A. Potts, president, the Philadelphia National Bank, and chairman of the Voluntary Credit Restraint Committee for the Third Federal Reserve District:

(1) What has been the impact thus far of the defense program on bank lending?

"The defense program has increased bank lending, but the tempo in this respect will be accelerated during the remainder of the year, particularly through the larger utilization of Regulation V loans. This type of loan, started during World War II, is made by banks but with a guarantee through the Federal Reserve System by the Army, Navy and Air Force. An increase in loans was rather slow in starting because of some bad features in the Assignment of Claims Act. These features have recently been eliminated, however. Bank lending has increased chiefly due to higher inventories both from the price angle and that of volume. Loans increased in commodity fields, influenced considerably by higher volume and prices due to purchases by this country for stockpiling. With respect to loans for new plant, certificates of necessity have been granted sparingly. Our industrial plant today is much better equipped to handle an increased defense program than at any time in history."

(2) What steps have been taken to expedite defense production loans as they develop in volume?

"Perhaps the greatest step was the reinstatement about a year ago of the Regulation V loans, which

(CONTINUED ON PAGE 68)



At South Park, left to right, are A.I.B. President Alton P. Barr, Anne Schoeck, Elsie Schabruker, Hartwell Taylor, J. Kaye Ewart, Lillian McLean, Floyd Larson, and Helen Henke

It's Always Fair Weather

A Report on the A. I. B. Convention

RUTH MARY WILKINSON

Miss WILKINSON, who is in the credit department of the Peoples First National Bank & Trust Company, Pittsburgh, is editor of Bank Talk, Peoples First's house organ. A graduate of Pennsylvania College for Women, she holds the A.I.B. standard certificate.

THE kick-off dinner really started the Forty-ninth Annual Convention of the American Institute of Banking, though the scheduled opening was four days later. But that was all right. Larry Bell, chairman of the affair, said it would start a week before it began and end a week after it was all over.

Alton Barr, the national vice-president, came along to polish President Kaye Ewart's ego and his shoes, according to Kaye. Alton rebutted by saying that polishing his shoes was hard work, but polishing

his ego was the easiest thing he had ever done.—Just a little of the horse play that goes on among the boys at conventions.

Norm Nedde, the Pittsburgh Chapter's president until the activities began, handed over the gavel to Woody Wilson to take it from there. Woody is the Pittsburgh Chapter's president for 1951-52.

Very hot weather, torrents of rain, and thunder and lightning greeted the delegates as the trains unloaded Sunday night. Dorothy Slater, national women's chairman, remarked later that even the weather had done its best to show the visitors everything.

Some of the Texans, used to large open spaces, had a hard time finding their way when the roads got closer together and the streets narrowed. Mr. and Mrs. Joe Benesh from San Antonio toured the West

and came to Pittsburgh by way of Canada. No wonder they had a hard time finding their way. Their first query was for Carl Schriewer, the new president of their chapter.

John Birch and David Schabacker, from Erie, wanted to know where some good parties were being held. They were told to follow the heavy luggage.

Lois Wagner, of the Chicago Chapter, was pleased with the reception by the uniformed hostesses.

Mrs. W. Meade Starke of Richmond said they had loads of fun coming up on the train with the Norfolk folk. There were 32 delegates, and the members of the Washington Chapter had a very lovely luncheon at the Carlisle Hotel for them.

Registration Monday morning was an exciting affair. Good-natured J.W. Graves from Dallas willingly posed for his picture as he registered in



A.B.A. President Shelton addressing the delegates. He stated that the Government must cut nonmilitary expenses, raise taxes or risk still more inflation

full cowboy regalia. At the end of the week his enthusiasm bubbled over—"You got it." "It's wonderful." "We were received with an open heart." "Warmth of the people, the most wonderful thing."

At the information desk William Bighouse from Columbus, Ohio, who brought his family with him, spied Bill Naylor behind the desk. Reaching over to shake hands we heard him express his feelings. "Met you over here last year and if this convention is anything like that weekend, I'm satisfied right now."

Then, from the registration room, we heard "Where are your 10-gallon hats and your boots?" Donald M. Corley and Harold P. Kittleband from Beaumont, Texas, had just arrived in perfectly northern-looking suits, and Bill Fecke (Pittsburgh Chapter, of course) having got used to the Texans arriving in splashy shirts, et cetera, was amazed to find that some wore conventional suits.

John D. Evans, Jr., president of the newly formed Broward County Chapter, drove up from Fort Lauderdale. He hopes to take back some of the shining spirit to their 84 members so they will want to come with him next time.

FROM a little bank in Ferndale, Michigan, where they post by hand, came John S. Black of the Oakland County Chapter, who said, "So far the convention is GREAT, very well organized." He said the president of their bank, Herbert H. Gardner, who also is the president of the Birmingham National Bank, was to preside at the Bank Management and Operations Conference.

During the sightseeing tour Monday morning there was an opportunity for the delegates to ride down one of the inclines in Pittsburgh. Some were a little afraid and held back at first; some thought it looked steeper from the bottom, but little Ruth Hamman from Houston said, "Shoah was lots of fun."

Standing outside one of the buses, Carl Erhardt, assistant vice-president of the Union Bank of Michigan, spied a familiar face at the bus window. Nancy Nesbitt, secretary to the president of his bank, saw him and the hand clasp through the window bespoke joyous recognition.

Joe Reed of the Pittsburgh Chapter learned more about his own city acting as barker on the bus tour than he ever knew before.

Violetta Pepper of Albany is the woman's chairman of her chapter and was anxious to send back the news. She had written an article about the district public speaking contest.

Margaret Tur of Johnstown chapter wanted suggestions for her women's committee, skits and forums, etc.

"The Minneapolis Convention was my first," said Margaret Fields of St. Louis. She is a member of the women's committee of her chapter.

Glenn Stout, of Little Rock, said this was his first convention and he was enjoying it thoroughly.

The Crawford twins (Ruth M. and Ruby M.) came from Georgia and fascinated everyone with their soft southern accent. Francis Law, speaker for the first business session, had his picture taken with

them. Ruth said they had attended the Buffalo convention and liked it so much they hadn't missed one since.

ANOTHER such statement came from William Ruff of Springfield, Ohio, who was heard to say that this was the first convention he had attended, but he didn't intend to miss any hereafter.

Louisville's Larry Arthur thought the only thing wrong with the convention was that it continued after he had to leave for home on Wednesday.

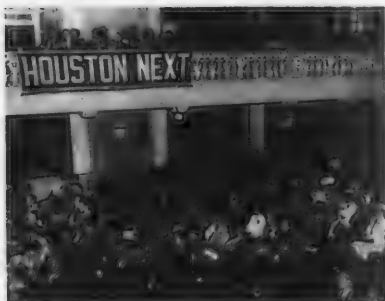
Esther Hilbert of Wyoming Valley Chapter said she had made the most wonderful friends in A.I.B. "They have left a stimulating mark on my life."

Bob McCoach from Philadelphia didn't like looking like a lost delegate when he strayed far from the William Penn Hotel, so he removed his A.I.B. identification badge and felt just like a native. It is nice to know our visitors felt at home.

Three girls from the Far West were enjoying every bit of the excitement of their first convention. They were Helen Molina from San Francisco, Verna Miller of Santa Clara County, president of her chapter, and Lorraine Warnke from Marin County.

There was nothing lacking in the warmth of Kathryn Bell's greeting. She's from Jacksonville.

During the public speaking contest Hugh Darling of the Riggs National Bank told of his becoming an American through naturalization and thrilled us all with our heritage. He placed third.



Left to right: One of the business sessions, where it was pretty obvious that Houston is next; a group of delegates at the station; the information desk, showing, left to right, seated, Paul Beyer, Jean Schofield, William K. Ahlers, Eugenie Ferris, and standing, Lois Tracey and Charles A. Rowland

Nell O'Connell was on the platform with the others present who had taken part in a national public speaking contest. A smile crossed her face when Dallas was mentioned. She told me later that there is nothing like the A.I.B. spirit. It is unequaled, and one is fully conscious of its effect when one returns to one's home town.

Marion Turner, of the national office, called the roll at the public speaking contest. She took part in the first contest, and told me that her interest in this convention was intensified by her contacts through the national office.

The luncheon at the Twentieth Century Club given by the Women's Committee of the Pittsburgh Chapter was a pleasure for the unofficial delegate women. Those seated at the table where I sat were Miss Juliana DeBack of Kalamazoo; Mrs. J. Murray Durham, Jr., of Shreveport, Louisiana; Mrs. W. W. Fuller, also of Shreveport, who said the luncheon was just like southern hospitality; and Mrs. John H. Phillips, Huntington, West Virginia. Mrs. George Hallaran of Huntington, West Virginia, was enjoying her first convention and its

enjoyable activities; Gertrude M. McDonald of Rochester, New York; Dorothy Travis, also of Rochester, and Bea Goldstine, who thought the streets of downtown Pittsburgh reminded her a bit of sections of the financial district of New York City, were with us.

Barbara Pendelton, next year's chairman of the Women's Committee, has two things in common with the outgoing chairman. They have the same birthdays, and the Buffalo convention was the first for both.

Everyone enjoyed Dorothy Goth's entertaining skit, "Petticoat Progress." Dorothy is from Saint Paul.

Joe Cornelius, Ed Damstra, and Stet Harman sang the new Pittsburgh song for me after the women's breakfast—all about "Think You're Grand" and "Hospitality."

JUST before the trip to the Irvin Steel Mill and South Park, some of us adjourned to the grill room for a quick lunch together. Delegates from all over the United States were assembled there and having a grand time. I was with the Leo Loughrens and Elbert Frank, of the Pittsburgh Chapter, while at the next table sat Mr. and Mrs.

Frank Totten of New York. Mrs. Totten was going to meet the best friend she had, Mrs. LeRoy Squires. They had met first at the national convention in 1936.

When we went up to get on the buses, there was a great deal of excitement, but everyone was good-natured. "Oh, there goes me sandwich, isn't that ducky," exclaimed Frances Nash of Seattle as she climbed on. When all the seats were filled, Charlie Borgerding of Pittsburgh called to the dispatching committee, "We're loaded."

"What do you mean? We haven't had time," came from inside the bus. Morgan Price, Jr., of Central Florida, started things off.

As we rode along, Harold Weiss from Portland, Oregon, remarked that the way the land set reminded him of Saipan.

Through the big gates of the Irvin Works and into the generator room where it was hotter than—well, anyway, someone said the temperature was well over a hundred degrees, and the noise was—but maybe you couldn't hear me anyway. G. C. Monroe, Jr., and William Hicks from Jacksonville, Florida, were amazed at the way

Left to right: Another station view; a group at South Park, including, Theron Elder, Dal Hogan, Jr., Frank Lake, Edna Lake, Norma Gateley, and Sidney Barnes; Dorothy Slater, chairman, Women's Committee (standing) and Esther F. Hilbert, Mrs. Claire Giannini Hoffman, Marion Turner, and Barbara Pendleton





Left to right: group at the WDTV Studios, including Mr. and Mrs. Carl Erhardt, Mr. and Mrs. G. P. Swanson, Mr. and Mrs. Clifford Plumb, Mr. and Mrs. George Hallaran, Mr. and Mrs. John H. Phillips, Eugenie Ferris and the author, Ruth Mary Wilkinson (at extreme left); relaxation at South Park; the grand ball in the Urban Room, William Penn Hotel

red hot slabs of steel were ejected on to rolls that carried them through thinners until a shining plate of steel appeared ready to become part of a household appliance or something. Mr. Monroe thoroughly enjoyed the trip and thought A.I.B. conventions afforded a wonderful opportunity for people from all parts of the country to get together and discuss problems. He wasn't the only one who enjoyed the trip. J. H. Claypool, president of the Duluth Chapter, expressed all our feelings when he said, "My, but this is interesting," and explained that he came from where the ore was mined.

At South Park those from the West and Southwest were in their element. Glen Bundick of Houston showed us how to mount a bucking bronco by having someone bite the steed's ear so he wouldn't pay any attention to anything else.

Pitching horseshoes really brought them in from every state. A picture taken of a few showed Bob Putnam of Minneapolis, William Bell of Helena, Montana, William Slayton and Lawrence Huffman, both of Memphis, Tennessee, and Carl Anderson and Marlyn DeForth of Saint Paul, Minnesota.

THE O.K. brand on the bit of cowhide attached to the badges of the Oklahoma delegates fascinated me. When I saw a bunch of them together I corralled them and demanded an explanation. From Dal Hogan, Jr., I got the story of how 13 delegates to the national convention at Portland formed an organization to get the old-timers back into the swing. O.K. stands for the Old Korral. Each year those attending the national convention are initiated into the organization

and may wear the badge. I'm not from Oklahoma, but I'm hoping they will send me a badge just the same. Besides Dal Hogan there were Theron Elder, Frank and Ednah Lake, and Sidney Barnes. Norma Gately of the Kay County Chapter also is a member.

While standing in line for "chow" I had the pleasure of meeting Hal Kuehl, of Milwaukee, winner of the public speaking contest. He said that what pleased him most was having Mrs. Claire Giannini Hoffman come to the room where his chapter was holding a party for him.

Donald Oldershaw of Monongahela Valley Chapter came along with Leon Williams. Though just arriving at the convention, he had had no trouble getting a room. "That's one thing about attending so many conventions; through your A.I.B. friendships there is some one in any town who will share a room."

Kenneth Lanning of Philadelphia remarked about the hospitality shown to unofficial delegates. Apparently Mrs. Lanning also was having a wonderful time at their first convention.

Inside the big dining hall someone getting a first glimpse of the food-laden table said, "You Pittsburghers! How do you do it?" It sounded like a supplement to what Marjorie Goodbout of the national office said—"Everything goes so smoothly."

Albert Ball and his wife sat at our table. They wanted us to know that next year Houston was going to out-do Pittsburgh's hospitality. Their invitation certainly was hearty enough; they even came down to the women's headquarters to say good-bye and again sincerely invited me to Houston.

Betty Haynes of the Flint Chapter in Michigan said the picnic supper was wonderful. The whole convention, she thought, would be an incentive for attending other conventions and conferences.

Ted Klein of Philadelphia was the only one complaining, or else he is a candidate for the biggest liar's club. He said the hotels committee had put him up at a motel 35 miles out of Pittsburgh, and that he had been in bed at 10 o'clock every night. But everyone knows he stayed at the William Penn along with all the other 1,400 delegates. Now Fred Plieskatt of the Wyoming Valley Chapter (near Wilkes-Barre, Pennsylvania, not out West somewhere) stayed up late at night so he wouldn't have to go to the first meeting in the morning. Seriously, though, he enjoys conventions and thought this one "up with the best."

By this time you must realize that an A.I.B. convention is a friendly affair. Just to picture it for you, we snapped some of the "big shots" greeting out-of-town delegates at the outing. That's Alton Barr greeting Anne Schoeck of the Essex County Chapter, New Jersey, Hartwell Taylor greeting Elsie Schabruker of the Passaic County Chapter, New Jersey, Kaye Ewart greeting Lillian McLean of the same chapter, and Floyd Larson greeting Helen Henke of the Essex County Chapter.

Coming back on the bus everyone sang. It is really always fair weather when good A.I.B. fellows get together.

Atha Bundick of Houston was thrilled with the Public Relations Conference—said it was just packed with good things. William K. Ahlers, Pittsburgh Chapter, mentioned



Left photo: J. Kaye Ewart, immediate past president of the A.I.B. at the rostrum while seated at the table at the left are Laurence S. Bell, general convention chairman, F. M. Law, former A.B.A. president and a principal speaker at the convention, and Alton P. Barr, the new president of the national organization. At the right hand table are Floyd Larson, Robert Rutherford, and Leroy Lewis of the national office. Center photo: the national debate, with the chairman, Ben R. Resch, at the center table, the Dallas team on the left and the winning Philadelphia team on the right. Right photo: Mrs. Claire Giannini Hoffman, William H. Smith, chairman of the National Public Speaking Committee, and Hal C. Kuehl, First Wisconsin National Bank, Milwaukee, contest winner. The cup held by Mr. Kuehl, is a new trophy donated by L. M. Giannini to the chapter of the contest winner

A. M. McNickles' speech on the fine points of selling. Seems as if he quoted Mark Antony and even came down in the audience to prove his point.

Wednesday, as we sat around the breakfast table at the women's conference, the conversation of lively Joe Ann Corley from Beaumont (she says it is close to Dallas) and George T. Sandoz of Mobile led the repartee about the South. Donald M. Corley is the official delegate of the family, but he was still asleep. Alice Zumbrun of Utica, New York, received a lovely corsage from the club of her bank. Josephine Bronold of the Mobile Chapter said this was her first convention. Mary Margaret Long of Syracuse, New York, William Hoke of York, Pennsylvania, and Thomas Milligan of Elmira, New York, were there.

The caucuses were where the good fellows really got together. In the Monongahela Room (some of the southerners had difficulty pronouncing it) the Texas gang and, according to *their* map, those from lesser parts of the South were whooping it up. Hartwell Taylor was presiding. In the midst of all the singing, Emmett Erickson from Minneapolis arrived to present his qualifications for executive councilman and answer the questions of the populace. Al Roemershauser, of New Orleans, was in the audience and helped keep the occasion riotous. Someone asked Erickson how come he claimed to be from the South. "South Minneapolis," was his reply.

"When was the A.I.B. founded?"

"Didn't know it was losted," replied Erickson.

In the ballroom where Pierre N. Hauser was presiding, they were getting ready for Newton Gray of Norfolk. He was equal to their problems, even though the heckling became vociferous at times.

G. E. Levine presided for Group II and H. R. Smith for Group IV.

Back in the southern section, LeRoy Clark of New York was being given a warm time. They had just asked him whether Texas was a part of the South, or whether the South was a part of Texas.

When it came time for Marty Travers to appear, everything happened. Daisy Mae and practically the whole of Dog Patch wanted to know what he would do for them if elected. The boys from the South claimed it was all in fun and said they would vote for Marty.

Frank Adams from Seattle was the fifth to run the gauntlet.

AFTER the final business session Friday morning, the delegates were on their own. Mr. and Mrs. Carl Erhardt and Mr. and Mrs. G. P. Swanson of Grand Rapids, Mr. and Mrs. Clifford Plumb of Flint, Michigan, and Mr. and Mrs. George Hallaran and Mr. and Mrs. John H. Phillips of Huntington, West Virginia, accompanied by our photographer, Walter Briegel, and Gene Ferris and me from the Pittsburgh Chapter, saw the newest form of entertainment in the making at the WDTV television studio.

Ethel White Kuchler, executive secretary of the Essex County Chapter, said warmth and hospitality

predominated at the Pittsburgh convention.

Elma Read is second vice-president of the Kansas City Chapter, and chairman of their women's committee. She thought it was wonderful that there were so many girls of the Pittsburgh Chapter to make the women delegates so very welcome. This is her first convention.

Alene Smith of Williamsburg is chairman of the women's committee of the Virginia Peninsula Chapter. She has been an A.I.B. member for only two years, but certainly has caught the spirit. She was most excited about the friendships she had made, and wanted me to write her or send her a copy of *Bank Talk*, the Pittsburgh Chapter's house organ. I hope our chapter can publish enough extra copies so it will be possible to send one to all those to whom I promised a copy.

LeRoy Lewis: "There is hardly a city in the United States where I do not have a friend as a result of my A.I.B. relationship."

Mildred Thomas of Charlotte, North Carolina, thought the reception and dinner given by the Pittsburgh Branch of the Federal Reserve for all delegates from Federal Reserve branches was a very nice gesture.

The last day of the convention, Mrs. Albert H. Gabel of Utica, New York, answered the query "How did you like the convention?" in a way to which all who attended could answer, Aye! when she said, "Wonderful; still wonderful."

The farewell ball fittingly closed the wonderful convention. We'll see you all in Houston next year.

Our Grim Struggle with English

WILLIAM H. BUTTERFIELD

The author has written several times for BANKING, the most recent article being "Congratulations!—by Letter" last May. He is the author of a number of books on the subject.

WHEN Wong, an ambitious Chinese boy, applied for a position with an eastern bank, his letter of application made a lasting impression on members of the personnel department:

Gentlemen:

I am Wong. It is for my personal benefit that I write to ask for a position in your honorable house. I have a flexible brain that will adopt itself to your business, and in consequence bring good efforts to your honorable selves. My education was impressed upon me in the Peking University in which I graduate number one. I can drive a typewriter with good noise and my English she is great.

My references are all of good, and should you hope to see me they will be read by you with great pleasure. My last job has left itself from me for the good reason that the large man is dead. It was on account of no fault of mine. So, honorable Sirs, what about it?

If I can be of big use to you, I will arrive on some date that you should guess.

Yours very truly,

Wong's grim struggle with English gives us a smile. But how many of us could do as well with his language as he did with ours? For that matter, how much better does the average American letter writer express himself in English—his own native tongue?

Many of the letters written in everyday business contain sentences just as ludicrous and inept as those written by our friend Wong. For example, here are a few illustrations from letters written recently:

This acknowledges your letter of June 5 regarding the medium-weight lawn mower, which has been placed in our files.

This merchandise was reported damaged by our salesman, Mr. Lee, when he returned from his call at your office yesterday.

Anyone up to age 70 will be furnished complete details without obligation of the most liberal policy issued by returning the enclosed card.

I shall await your reply in the envelope provided for that purpose.

While awkwardness of expression gives an amusing twist to these sentences, there is no doubt or misunderstanding about the meaning that each writer intended to convey. Sometimes, however, the reader is completely puzzled by a letter that makes him dig for a well hidden meaning.

Some time ago a plumber, seeking an item of information, wrote to the National Bureau of Standards. His question was simple and direct. He had found that hydrochloric acid works well in opening plugged pipes, and he wanted to know whether this solution would damage the pipes. He received the following reply from the Bureau:

The uncertain reactive processes of hydrochloric acid place pipe in jeopardy when alkalinity is involved. The efficacy of this solution is indisputable, but the corrosive residue is incompatible with metallic permanence.

Well satisfied with this answer, the plumber wrote a note thanking the Bureau for letting him know that hydrochloric acid was all right. Back came this immediate reply:

Hydrochloric acid generates a toxic and noxious residue which will produce submuriate invalidating reactions. Consequently, some alternative procedure is preferable.

Now more pleased than ever with his discovery, the plumber wrote the Bureau again, expressing enthusiastic agreement that hydrochloric acid works very well indeed. A day or two later he received the following reply by telegram:

Don't use hydrochloric acid. It eats hell out of the pipes.

Finally, on the third try, the Bureau made its message clear enough to be understood by the reader. The two confusing letters had used a total of 51 words; the message that straightened things out contained 11 words.

Here is one more example of wastefulness in the use of words. It is quoted from a sign on the cashier's desk of a Washington hotel:

In order to substantiate our desire to accommodate our guests, we would appreciate your cooperation to anticipate your credit requirements before departure.

In other words, "No checks cashed."

After reviewing common business letter faults that confuse the reader with "double talk" and waste his time with useless words, let us conclude on a more hopeful note. Join me, if you will, in applauding the simple directness of the collection manager who sent this request to a customer in another city:

Gentlemen:

Will you please send us the name of a good lawyer in your community? We may have to sue you.

Cordially yours,

"How Are We Doing on the

Banking Asks This Question of

JESSE P. WOLCOTT

Representative WOLCOTT is a member of the House Banking and Currency Committee.

EVERYONE agrees that inflation is our biggest problem. The fundamental issue lies, not in the recognition of the problem, but in the manner in which it shall be solved.

Since the cessation of hostilities in 1945 it has been the studied policy of the Administration to maintain high prices. A policy of cheap money and cheap long-term credit has been maintained.

The basic issue seems to be whether we shall stabilize through the use of the orthodox indirect controls which have been habitually and traditionally used in the stabilizing of our economy, viz., those controls which the Federal Reserve and Treasury have used throughout the

years, or whether our economy shall be stabilized through the use of direct controls, those controls contained in the Defense Production Act of 1950.

It may be stated without fear of successful contradiction, that had the Federal Reserve been in a position freely to manipulate reserves, rediscount rates, and the other indirect methods the volume and velocity of credit could have been stabilized and there would have been no need for the imposition of direct price, wage, and consumer credit controls.

Our economy cannot be managed successfully from Washington.

Before we impose direct price, wage and consumer credit controls, I think we might well give consideration to an 8-point program somewhat as follows:

- (1) The independence of the Federal Reserve Board must be restored.
- (2) Rediscount rates should be in-

creased sufficiently, notwithstanding the effect on Government bond interest rates.

(3) The Federal Reserve should continue its studies on the necessity of raising bank reserve requirements, and, if it is found that the present statutory authority is insufficient, the Board should make definite recommendations to the Congress in this respect.

(4) We should immediately restore to 40 percent, from the present 25 percent, the gold reserve behind Federal Reserve notes, and we should restore to 35 percent, from the present 25 percent, the reserve behind deposits.

(5) We should start studies looking to the desirability of sterilizing sufficient amounts of gold and bank-held Federal debt to remove the pressure which deficit financing has on the value of the dollar.

(6) It should not be expected that under present policies our inflation can be syphoned off by taxation. Also, to be realistic about it, we cannot hope to pay the entire costs of the defense effort through current taxation. A tax policy should be formulated through which excessive profit could not be made, but at the same time it should be one that would give an incentive to production and to the maintenance of such strong capital structures as would encourage industrial and agricultural expansion.

(7) There probably is need for certain tariff adjustments that will enable us to get enough of the foreign goods that are necessary to keep production at a high level.

(8) A series of international monetary conferences should be initiated looking to the desirability of restoring gold as a standard, not only in international exchange, but as a convertible base for world currencies.

It is thought that under such a program the American dollar could be strengthened. It would indicate a reversal of our present cheap money, high price policy.



Representative
Wolcott

Anti-Inflation Front?"

Two Well Informed Legislators

PAUL H. DOUGLAS

Senator DOUGLAS is a member of the Banking and Currency and the Labor and Public Welfare Committees of the upper house.

IN considering the extension of the Defense Production Act, which contains the authority for our anti-inflation program and which expires on June 30, the Congress will have to review the arsenal of economic weapons and take from it those it believes must be used in the next year or two if inflation is to be held in check. It will have its choice of two general types of weapon: indirect controls—principally credit and fiscal policies—and direct price and wage controls. Recent weeks of congressional hearings have become focused on the question, "Can indirect controls hold the inflation line, or are price and wage controls necessary as a 'safety man' in case of a breakthrough?"

To me, the strict use of indirect controls—especially the restriction of bank credit expansion—is far preferable to, and can be more effective than, the unpleasant resort to price and wage controls, which destroy the flexibility of our economic system, and involve businessmen in a maze of costly red tape. Indeed, they are essential to the success of direct controls, since they strike at the basic causes of inflation by limiting civilian purchasing power during a time of restricted civilian markets.

The keystone of our anti-inflation program must be the continuation of the flexible open market policy by which the Federal Reserve System has transformed itself from an enormous purchaser into a substantial net seller of Government securities, and by which it has achieved a gradual adjustment of the bond market without the destruction of buyer confidence that had been so widely feared. We must prevent a repetition of the disastrous growth of loans and discounts of all banks

by \$12,300,000,000 which occurred from April 1950 to April 1951, while their holdings of Governments fell by over \$8-billion. This flexible policy should be accompanied by authority for additional reserve requirements, along the lines suggested by the Wilson *ad hoc* committee, by the continuation of selective consumer credit controls, and by the efforts of the Voluntary Credit Restraint Program, whose participants deserve both praise and encouragement.

Fiscal policy—the reduction of nonessential Government expenditures and tax increases sufficient to make up the budget deficit—presents another opportunity for narrowing the inflationary gap.

Both credit control and a vigorous fiscal policy are politically painful, however.

While I am not as hopeful as those who speak of \$7- and \$9-billion budget cuts, I am hopeful that roughly \$4-billion can be cut. Some

of this will be "fat" or waste, but some cuts will mean the postponement of popular programs, such as rivers and harbor projects and rural electrification programs.

As to the controversy over price and wage controls, the current lull in price rises has made it difficult to look ahead to the fall, when actual deliveries of defense items will be at the annual rate of \$38-billion, 3½ times what they were last fall, and peak defense production is not expected until 1952.

No matter how painful the control of inflation through higher taxes, the postponement of needed programs and the awkwardness of price controls, failure to control inflation would be far more disastrous. Indeed, while we prepare to meet an enemy from without, inflation could defeat us from within. I believe, therefore, that the vigorous use of both direct and indirect controls is essential to our future anti-inflation program.

Senator Douglas





Here's some of the baggage of Alexander S. Panyushkin, Russian Ambassador to the U. S., and his party, waiting to be loaded at New York. The Ambassador sailed for a month's vacation "maybe in Moscow or on the Black Sea." The bags, no doubt containing several products of "decadent America's imperialist capitalism," required 60 cubic feet of space

Confusion in Command

HERBERT BRATTER

WHERE we are going, how, and how soon, is what the nation is trying to ascertain. Two State Department Deans—Rusk and Acheson — explaining our future policy toward Chiang make the "Voice of America" sound like a yodel. In Iran not even the personal intervention of President Truman has yet made a visible dent in the oil nationalization. From his bed in the Majlis Iran's frenzied premier phrases the xenophobia that sweeps ahead of Asia's revolt against the West.

"Iran is prosperous and needs no foreign financial aid," writes an economist correspondent from the scene. Secretary Khan of the World Moslem Conference urges all Moslem lands to follow Iran's precept, even if it costs "a few hundred thousand lives."

Indonesia's Premier hints expropriation of large foreign-owned estates, while Point IV sponsors plead urgently for speed and count on private capital flowing abroad.

Brazil's press is "so vitriolic and

anti-U.S. as to defy belief," the Crosley Broadcasting Corporation's chairman reports. In Europe anti-Americanism is discreet, while aid arrives; but the British outburst when Lend-Lease ended is not forgotten. "Uneasy lies the head . . ."

FOREIGN AID A CONSTANT PROBLEM

It was just a coincidence that the President's \$8.5-billion foreign aid program was laid before the Congress just when the Ways and Means Committee was finishing its months-long efforts to produce additional tax revenue. The committee was able to suggest ways of meeting only about 83 percent of the foreign bill. As happens every year, there are reports from Capitol Hill that the Congress views the help-others-help-themselves program with jaundiced eye. This does not in any way change the expectancy of the non-communist world or even of communist Yugoslavia that Washington will take care of their needs. Foreign "government information of-

fices" see to it that their views and requirements reach Washington and the American public, one way or another. A few skimmings from the top of the news will indicate the climate in which the aid appropriation is being considered.

Discussing the wheat-for-India proposal, for instance, Senator McCarran said that the majority of Congress objects to a give-away program. A much stronger foe of communism than India's Nehru, the Nevadan said that India holds gold and short-term dollar assets ample to enable it to borrow for the wheat. The wheat program is regarded by many in Congress as just the beginning of a new, large give-away program for Asia. But it was also Senator McCarran who made the front page by summoning Chairman Gaston of the Eximbank and high State and ECA officials to explain to him in his private office on the Hill and in the presence of the Spanish Ambassador why loan-seeking Spain has not received more accommodation. Protocol experts can't find a

precedent for such a summons. Anyway, "we got some results," the silver Senator said, "and I'm going to try to get another loan for Spain."

From the Republican side Senator Ferguson of Michigan objects to the State Department budgeting \$8.93-per-plate luncheons as part of its propaganda exchange - of - persons program. The Senator thinks the visitors should be satisfied to eat just cake. And ranking Republican Ways and Means Committee member Daniel A. Reed of New York derides in the *Congressional Record* "Uncle Sam's International Gift Shop."

But the New Yorker is temperate compared with his Idaho colleague, John T. Wood. From the floor of the House Rep. Wood complains that "billions of the American taxpayers' dollars are building roads and developing mines in foreign lands while our own roads and mines are neglected." He calls the UN "this spawn of hell" and a "plunderbund" because its economic committee calls for "\$19-billion of American aid." (Actually the UN figure would not all be drawn from this country.)

TRUMAN'S PROGRAM

The President's message asked \$8.5-billion as a "mutual security program," \$6.25-billion for military aid to other free nations, and \$2.25-billion for economic help, "primarily to support expanded defense efforts abroad." More than \$500,000,000 of economic aid would go to underdeveloped countries in the Point IV category, plus more than \$1-billion of military help. The whole huge sum—\$8.5 billion—Mr. Truman calls "grant assistance to be provided through appropriated funds." Also, the Export-Import Bank's loan authority would be increased by \$1-billion. The grant program breaks down as follows:

Area	Economic	Military
Europe	\$1,650,000,000	\$5,240,000,000
Middle East & North Africa	125,000,000	415,000,000
Asia	375,000,000	555,000,000
Latin America	22,000,000	40,000,000
Administrative expenses	78,000,000
Total	\$2,250,000,000	\$6,250,000,000

Since there was no change of Congressional consideration by July 1, interim legislation to make a start was devised.

Exporters, who naturally stand to profit from the grants Mr. Truman proposed, nonetheless were reported nervous about the program. Con-

cerned lest the grants be but the start (sic) of continued aid which will tend to build up more competition for American exporters, the latter urge that Congress equip the program with safeguards.

FOREIGN VIEWS REGISTERED

At the UN, Asian and Middle East delegates were "miffed" that so small a fraction of this year's Truman "windfall" was earmarked for them. The amount of dollars the President proposed was more than they had expected, but they were frank enough to object that so large a piece of the pie should be handed to well fed Europe and argued hotly that their countries are just as fertile soil for communism as Europe. Latin Americans, too, while viewing the Korean fighting as a United States "show," think Mr. Truman has neglected them, although they anticipate large profits in selling to Uncle Sam strategic and critical materials. In Europe the Dutch can't wait for the program to pass. Short-term Washington help is wanted to stop a drain on the Dutch gold and dollar reserves. And Belgium has been protesting about ECA's slowness in supplying promised dollars.

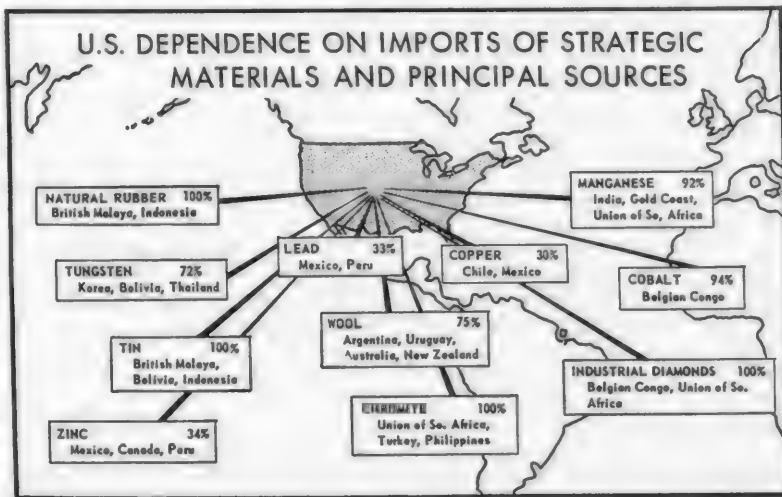
TRADE CONTROLS TIGHTENING

Since General MacArthur's proposal to blockade China was aired, previous steps to control East-West trade have been noticeably strengthened in the western world. Starting July 1, U. S. exports of controlled materials—copper, aluminum, steel and tinplate—are being licensed against quotas. International materials talks continue in Washington.

The whole trade-control setup falls far short of that of World War II, when we had the Board of Economic Warfare, preclusive buying, etc. Nor is our stockpiling effort adequate, being scattered over various departments and handicapped by insufficient funds and contractual power. Mobilization Director Wilson, after hearing Europe's complaints, has issued a list of priority principles governing U. S. materials devoted to foreign needs. Senator O'Connor (D., Md.) states that the full "shocking and sickening" story of war-useful materials sent by West Germany to the east has yet to be told. Preparedness Subcommittee Chairman Lyndon Johnson (D., Tex.) as late as mid-May found that tin producers, "when the times call for sacrifices," try "to soak us."

THE KEM AMENDMENT

Now law, the Kem rider to the deficiency appropriation bill would cut off all economic and financial aid from any country exporting to the Soviet bloc articles, the shipment of which to the Red area is prohibited by the U.S., or articles or commodities which may be used in the manufacture of arms. If literally followed by the Administration, the amendment would play havoc with our European friends and weaken U.S. security, according to President Truman. Therefore, until such time as the Congress modifies the troublesome provisions there is no chance that the Administration will interpret the rider literally. East-west trade is a two-way affair and free Europe gets from the East vital commodities (CONTINUED ON PAGE 100)



FROM "BUILDING AMERICA'S MIGHT"

Is Business Appeasing Socialism?

JOHN S. PIPER

*The author is financial editor of
The San Francisco News.*

THE American businessman is so frustrated with his problems that his backbone is broken. He is so disheartened that he will yield to unjust demands from labor and from government. He is so crushed that he will no longer fight against the evils of inflation."

These are the pessimistic conclusions of a San Francisco broker who returned recently from a nationwide tour in which he talked to 150 corporation executives.

Flying from city to city, he interviewed company officers and inspected their plants. His purpose was to develop facts for an appraisal of the economy, and he has been doing this annually for 11 years.

After his cheerless appraisal appeared in print, I determined to make my own survey. I took the question directly to the chairmen and presidents of leading corporations. I asked them if they agreed with the broker. Many of the 146 top executives who participated in the survey agree that business faces serious problems and that inflation is a threat to the country. However, nine out of 10 insist emphatically that their backbones are not broken.

To bankers concerned with the political and social trends of the times, it should be reassuring to learn that business leaders retain their faith in the future of this country and its way of life.

For example, top management in steel manufacturing, the country's most basic industry, is full of confidence. Irving S. Olds, chairman of the board of directors of United States Steel, says that he has found no evidence to support the conclusion that the backbone of the American businessman has been broken.

"In Stride"

E. T. Weir, chairman of National Steel Corporation, states: "While we are encountering unusual difficulties, such as increasing Government controls, shortages of materials, heavy taxes, and the necessity for further expansion of plant and facilities at increasing costs of building, I believe that the American businessman is meeting the situation in his stride, that his backbone is not at all broken, and that he is going to do the best possible under the circumstances."

Edward J. Hanley, president of Allegheny Ludlum Steel Corporation, asserts his faith in the future. "I do not believe the American system of free enterprise is doomed," he says. "It is my expectation that the majority of the free people will become as determined to reinstate the freedoms and personal liberties taken from us in the past 10 years as they were to see that General MacArthur was given a fair hearing."

Top management in the chemical companies—the nation's fastest growing industry—is universally optimistic. C. H. Greenwalt, president of the great E. I. du Pont de Nemours & Company, says: "In its

time, the business system of the country has been subjected to far greater stresses and strains than are evident today, and has managed to survive. I have no doubt whatever that intelligent businessmen will find ways of dealing effectively with present problems."

Leland I. Doan, president of the Dow Chemical Company, says: "Your letter hits me like a bucket of cold water. I don't doubt your man ran into many gripes, but griping is a typically American pastime, no more limited to businessmen than it is to G.I's."

"All businessmen are deeply concerned, and with good reason, over the severe problems that face us. But I don't feel the country is littered with 'broken backs,' and I personally have not met a single executive who was downright discouraged. I have faith in the resilience of Americans. So long as we remember to roll with the punches, I don't think we're going to be beaten."

Mr. Doan concludes: "I may from day to day be perplexed, agitated, confused and confounded, but I am definitely not discouraged."

Louis Ware, president of International Minerals & Chemical Corporation, is even more optimistic than Mr. Doan. He does not agree with people who say all is rotten in Washington. He admits he dislikes some of the people there. He concedes that mistakes are being made. "But," he explains, "I try to be kind and realize that no matter who has the job today, with world problems as they are, mistakes would continue to be made."

William M. Rand, president of Monsanto Chemical Company, says inflation is the greatest danger confronting the country. To stop it, he urges economy in government and full production.

Railroads Since 1887

William S. Franklin, president of the Pennsylvania Railroad, speaks for his industry. He recalls that the railroads have been regulated by the Government since 1887. Yet he is not discouraged. "The current trends toward regimentation and socialism," he says, "should be resisted in every proper way. I am confident that the American public can be trusted to support that resistance."

(CONTINUED ON PAGE 90)



News for Country Bankers

This news covering various aspects of country banking was compiled by MARY B. LEACH of BANKING's staff.

New Forestry Committee

A FORESTRY subcommittee appointed by the agricultural committee of the Alabama Bankers Association is headed by Sam Morgan, president of the Opelika (Alabama) National Bank. The first meeting was attended by association officers, the committee on agriculture, Group 8 member bankers, the state forester, and the faculty of the Forestry School at Alabama Polytechnic Institute.

Subjects covered included: "The Federal Land Bank of Columbia's Approach to Better Forest Management"; "Economics of Present Day Forestry"; "The Georgia Bankers' Forestry Program"; open discussion on "What Banks Can Do for Alabama Forestry" and "What Forestry Can Do for Alabama Banks"; "Returns from the Tree Plantation" in connection with a tour of the API Forestry Plantation; and "Tree Nursery Facilities—Now and Future" at the Auburn Nursery.

The program included the demonstration of mechanical tree planters. Open discussion followed each prepared address.

A second meeting was devoted largely to the subject of fence posts.

S. W. Harper, cashier of the Robertson Banking Company, Demopolis, is chairman of the A.B.A.'s agricultural committee.

Expanding Farm Relations

AWARDS amounting to \$525 are announced in *Save the Soil and Save Muskogee County*, a leaflet issued and circulated by The Citizens National Bank of Muskogee, Oklahoma, in cooperation with The Muskogee-Okmulgee Soil Conservation District. It includes information on what the award program is, who may enter (anyone except SCS supervisors and employees and members of the board of the Citizens National), types of awards, and entry rules. An entry blank is also included.

In a recent four-column newspaper advertisement, the Citizens National announced the organization of an agricultural department with Buford Groom in charge as outside farm

representative. He will spend Mondays and Saturdays in the bank and most of the rest of the time out on the farms in the area.

In addition to stating the need for soil conservation and for proper financing, the bank gave a 16-point outline of its purpose in establishing the agricultural department. The ad was reprinted and widely circulated to rural mailbox holders.

Mr. Groom holds a degree in agricultural education from Oklahoma A. & M. College. Prior to joining the bank's staff he taught vocational agriculture at Muskogee Central High School. Besides being born on a farm and living all of his life on one, he farmed for himself three years.

Advising From Experience

THE active management of the Waukesha State Bank, Waukesha, Wisconsin, is in the hands of men who understand from experience how to help the bank's farm customers solve their problems.

Here is an incomplete report on the official family: President Carl Taylor is a farmer, a past president of the County Holstein Friesian

Association, and a director of other farm production and marketing organizations. Vice-president Evan Davies devotes his full time to seeking farm loans and otherwise serving the farmers' financial needs.

One of the bank's directors has been county agent for 30 years, while another operates a large farm. His farm heritage dates back 100 years in this same community.

The bank is the principal source of credit for turkey growers and for the principal mink ranch in the community. Credit is available to the dairy farmers when they need it, which they seldom do.

In the farm youth field, the bank makes calf and pig loans to 4-H and FFA members; the officers speak to high school classes; and at least once a semester all agricultural students are invited to the bank for a "get acquainted" meeting.

Each year at least one University of Wisconsin short course scholarship is awarded to a worthy high school graduate in need of assistance.

Rural Electrification

THE progress made since 1923 in bringing electric power to 95 percent of the country's farms will be celebrated by the electric power industry with Rural Electrification Week, beginning on August 26. Special activities are planned on a nationwide basis.

Electricity will then be available to about 4,900,000 of the approximately 5,200,000 occupied farms, and to about 15,000,000 of the 15,500,000 occupied rural dwellings. The business-managed utility companies serve 47 percent of the farms, REA cooperatives serve 49 percent, and municipal and other government systems serve 4 percent.

About 80 percent of the power used by farmers is supplied by tax-paying companies. They serve 60 percent of the farms direct, and also provide at wholesale rates one-half of the power distributed by cooperatives.

To serve its more than 2,500,000 farm customers, the electric industry has invested \$2-billion in rural electric lines and generating equipment. Moreover, the companies also provide, at wholesale rates, more than half the power used by REA

cooperatives. They provide the power to the cooperatives at a cheaper rate on the average than the cooperatives themselves can supply it.

Contributions made by rural electrification include the following:

(1) Increased value of farm property.

(2) Increased farm production. (The output of goods per man-hour has risen from 82 percent in 1925 to 156 percent in 1950 [based on 1935-39 average].)

(3) More comfortable and happier living for farm families.

Subscriptions for Farmers

THROUGH the efforts of Preston Foster, president of the First National Bank of Elmer, New Jersey, who is cooperating in the American Bankers Association's agricultural program for country banks, the First National is paying for one year's subscription to *Soil Conservation* for 39 different farmers in the Elmer area. Mr. Foster worked out the details with Roy Ballard, Soil Conservation Service technician who assists the South Jersey CSC district.

In a letter to each farmer, announcing the subscription, Harvey M. Beal, a district supervisor, said: "We have found that some of the

"Your qualifications for agricultural representative are excellent except for one little detail—we wonder if you would mind changing your name, Mr. Brannan?"



banks of this area are keenly interested in all phases of farming, particularly those projects that aid in soil and water conservation and better use of the soil. Because of this interest, a subscription to *Soil Conservation*, official organ of the Soil Conservation Service, is being sent to you this coming year through the courtesy of the First National Bank of Elmer, New Jersey."

A Sugar Beet Contest

THE arrival of spring was marked by the American National Bank of Idaho Falls, Idaho, with the launching of the silver jubilee of its boys' and girls' one-acre sugar beet contest. Prizes range from \$15 to \$200, according to tonnage per acre and utilization of crowns and tops.

The contest focuses young farmer interest on one of East Idaho's basic crops. The Utah-Idaho Sugar Company offers a \$25 prize and furnishes inspectors to check the plots of the contestants.

Among other things, the rules require that each contestant maintain an accurate record of his project as well as make a contract with the sugar company.

SEP Salutes Tupelo Banks

THE banks and bankers serving Tupelo, Mississippi, were highly complimented by Hodding Carter in an article on Tupelo in the February 17, 1951, issue of *The Saturday Evening Post*. Mr. Carter's article was the 97th of a series on America's most colorful cities.

Tupelo has undergone three disasters—war, wind, and boll weevil. Bankers have shown conspicuous leadership in its recoveries. With the permission of the *Post*, BANKING quotes from the Carter article telling of some of the community projects which have prospered under this leadership.

"Mr. High [S. J. High, former president, The People's Bank and Trust Company] went to his fellow bankers of the Lee County Banking Association. For years, all the banks had distributed calendars to their customers at Christmas time. Calendars cost money. So Mr. High persuaded the bankers to underwrite a livestock program, at a cost of

(CONTINUED ON PAGE 59)

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For more than 88 years the Foreign Banking Department of The First National has been accumulating knowledge that can be of great help to correspondent bankers in meeting today's problems of foreign trade financing.

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MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



Cattle Feeder Financing

D. E. CROULEY

Mr. CROULEY is vice-president of the Northwestern National Bank, Minneapolis.

THE production and feeding of cattle, under present controls and conditions, presents an enigma for bankers, feeders, and cattle producers. While the public may feel that price controls may be the answer to the cost of living, such, in my opinion, is not the case. There are some who feel that the price control program will correct the situation insofar as prices and supply of meat are concerned; however, many of us realize that this Utopia may not develop. It is my opinion that any program attempting to affect or disrupt the law of supply and demand is doomed to failure. Production of anything we consume or use is stimulated by that law, and to the best of my knowledge, it has not been superseded by a more satisfactory formula. There is only one factor which can increase or decrease prices, particularly food products, and that is the public's willingness to buy the product at a price.

The recent ruling covering ceiling prices of slaughter animals has upset the production schedule of ranchers, feeders, bankers, packers, wholesalers, retailers, and the general public. To some people, the formula presented by the authorities seems to be sound, but this is for history to determine.

What about the ranchers? They are the ones who fundamentally produce our meat supply. Shall they reduce their production facilities by selling their cows at today's prices, or shall they gamble on reduced operation cost in the hopes of operating at a future profit?

What about the feeders? Shall they contract to purchase feeder cattle today, knowing that an additional price reduction will take place before the end of the year? Likewise, shall they commit themselves today to contract cattle for delivery in September or October, not knowing what their feed production may be nor what this feed may sell for on the cash market?

Can the bankers, who ordinarily finance the production and finishing of beef cattle, commit themselves insofar as financing and advice to their borrowers is concerned without knowing the answers to future developments?

Can the packers, who must purchase and process meat, develop any sort of a sound constructive program for providing consumers with their products?

Can the wholesalers, who will be placed under increasing pressure by retailers, be able to tell their customers what and when they may be able to supply their needs?

Can the retailers, who meet the public, offer any reasonable excuse as to why they are not able to supply the demands of the public with

the quality of meat expected and at a price which the public expects to pay?

A satisfactory answer to these questions should clarify the situation for those connected with the industry.

Production and industry in this country are developed upon the profit motive and if, under regulations, this cannot be accomplished, ways and means may probably be found to bring about the desired results, whether through inferior quality, lack of compliance, or whatever other methods can be developed. The public may still pay more and get less under controls than if the free enterprise system is allowed to function in the American way.

The cattle rancher or fundamental producer of meat is the first of those affected under the control program. Shall he sell his producing assets, his cows, to obtain advantage of present prices, or hold them in the hope of profit on future calf crops? Shall he sell his yearlings in the hope of stopping a price loss, or graze them for an additional year to put more meat on their frames? Shall he sell his calves at present high prices or carry them over and sell them as yearlings or two-year olds. If he decides to sell his steer calves, shall he hold his heifer calves for herd replacement or sell them to take advantage of present prices?

It has been the practice throughout the cattle feeding area for feeders to contract for their cattle many months before the animals are actually delivered to them. Contracting covers all classes of cattle. In line with custom, many contracts

were entered into between ranchers and cattle feeders prior to the time the present controls were put into effect. However, immediately upon the placing of controls, such contracting practically discontinued; and as a result, ranchers do not know at what prices they may sell.

Cattle feeders are not willing to contract because of these factors:

(1) They do not know the amount of production or the quality of their feed crops and are not willing to risk their labor and crop until these factors are better determined.

(2) They hope to obtain their cattle requirements for feeding operations at a considerable lesser price than formerly appeared possible. On the whole, if the corn crop turns out to be of good quality and the price is satisfactory, it is entirely possible that feeders may eliminate the risk of feeding and sell their corn crop on the cash market. This action will further reduce the amount of meat produced.

(3) Cattle dealers, who ordinarily contract large numbers of cattle in the spring to supply their feeder customers in the fall, are not following their usual program. At this writing, the contracting of cattle has been practically discontinued.

Wholesalers and retailers of meat,

who are the ones closest to the public, have no answer to their problems.

The public, which feels that price controls may be the answer to the problem of high cost of living, may be very much disillusioned in the event that it visits the meat markets with ration coupons to find the meat unavailable at any price, regardless of coupons. It is far better, I believe, that people have the satisfaction of going into a meat market and of being able to obtain all classes of beef, regardless of price.

Lastly, the banker, in one way or another, shoulders the problem from the rancher to the consumer. At the moment, this problem is one of the most critical in the defense production program. Regardless of whether he is financing the rancher or the cattle feeder, the fundamentals of bank credit should be observed. Banks financing the rancher must take the usual precautions in connection with these loans.

(1) Is the borrower an experienced operator?

(2) Does he have ample range and other facilities?

(3) What are the condition of his cattle?

(4) If he is to carry his cattle through the winter, are his feed supplies and shelter adequate?

The banker, financing the average

farm operator who feeds a relatively few head of cattle, must be able to consult more wisely with this type of borrower than previously. Fundamentally, the farmer should be experienced, have proper facilities, have sufficient feed to finish the cattle, and have a reasonable margin of collateral.

The banker, financing commercial feeders, must determine whether they have experience, if they have proper facilities, if they have the means and capital to acquire sufficient feed to properly complete their feeding program, and if they are in position to provide the customary margin of collateral.

I realize that everyone in this country is called upon to use his efforts to the fullest degree in supporting the present defense program. Undoubtedly, cattle producers, cattle feeders, and bankers must necessarily take more risks in their operations than heretofore in order to help work out this critical situation. I am sure that this can and will be done, but it can only be accomplished by developing a sound program between the authorities who institute controls and those who are in the production and operation part of the enterprise. If this can be accomplished, I am sure that within a limited period of time the results desired by all can be obtained.

News for Country Bankers

(CONTINUED FROM PAGE 56)

\$5,000 a year, instead of giving away \$5,000 worth of calendars. With the money, Tupelo hired a livestock expert. And the county board of supervisors took the plunge with the bankers by employing a county agricultural agent.

"Impressed by the little town's employment of the dairy expert and the concerted effort to introduce dairying to the cotton belt, the Carnation Milk Company established a huge plant there, its first in the South, providing an outlet for all the milk that was produced.

"That was the beginning of a new idea in the deep South . . ."

"Mr. Whitesides [V. S. (Josh) Whitesides, president of The People's Bank and Trust Company] likes to talk about those early days. The bankers bought an old beat-up

projection machine for their first dairying-and-soil-practices expert, Sam Durham. He and Mr. Whitesides toured the countryside showing their dairy- and -soil- building movies, preaching poultry raising and distributing agricultural handbills.

"We put up a chickenhouse in the Courthouse Square," Mr. Whitesides says. "The sheriff said we had to take it down, but we said, 'The hell we will,' so it stayed there."

"Josh Whitesides and Sam Durham sowed experimental plots of pasture grasses for all the farmers who would let them. When hybrid corn came along, Josh began to promote this through the Four-H Club boys and girls, Negro as well as white. The yield back then was about 14 bushels an acre. Today the

county average is 40 bushels. Now each fall the People's Bank sponsors a hybrid-corn contest and holds a corn exhibit in its lobby—and today there are hundreds of farmers and Four-H Club boys and girls who get better than 100-bushels-an-acre yield.

"In all, the bank spends more than \$6,000 a year on agricultural and community development."

* * *

"None of the banks charges any interest to Four-H Club members. The three presidents estimate that directly or indirectly the programs and policies have influenced more than 4,000 farm families to adopt new practices. The banks spend more than \$15,000 a year to reach them. They know it's paying off. In 1916, the worst year of weevil, total bank deposits were \$1,180,000. In 1922, they amounted to \$3,720,000. Last year they totaled more than \$23,000,000."



THE FUTURE OF THE FAMILY DOLLAR



BANKING'S National Finance Forum

INSURANCE

?

With dollar values fluctuating, do insurance companies make any provision that the amount to be paid in the future will have a purchasing power approximating what was expected when the money was paid in?



*Answered by
MARION STEVENS
EBERLY,
director, Women's
Division, Institute of
Life Insurance, New
York, N. Y.*

✓

No. Such a provision would be very difficult to work out either for life insurance policies or any other contractual relationship expressed in terms of dollars. How, for example, could you arrange for the dollars a man might withdraw from his bank account to have the same purchasing power as when he deposited them, or a bond to pay off in similarly flexible dollars? And wouldn't such a provision have to work both ways? After all, the

purchasing power of the dollar does go up and down.

A life insurance policy is a contract promising to deliver a certain number of dollars from the life insurance company to the policyholder or the beneficiary he selects, in consideration of which the policyholder, for his part, agrees to pay a stipulated number of dollars as the yearly premium. And for more than a hundred years, that contract has met every test.

The premiums paid for life insurance are usually spread over a long period of years during which the purchasing power of the dollars fluctuates sharply. Premiums in the depression were paid in dollars of high purchasing power in comparison with the dollars being used to pay premiums today. Proceeds paid in the depression years had a greater purchasing power per dollar than their purchasers had anticipated.

Here are some questions and expert answers on how best to conserve the value of property in these unconservative times. Queries from BANKING's readers are welcome.

When the contract matures, there is no way of foretelling whether dollars will have a high or low purchasing power. Because of the long range of the average life insurance policy and the extended period over which premiums are usually paid, there is a fallacy in applying current purchasing power as a measuring stick of the value of the contract.

But, while the legal obligation of the life insurance companies is fixed in terms of dollars, they do feel a strong moral responsibility, in an inflationary period such as we are now going through, to do what they can to help preserve the purchasing power of the dollar. For the last year, for example, the companies have been conducting, through the Institute of Life Insurance, a nationwide, cooperative advertising program pointing out to newspaper readers the dangers of inflation and what steps can be helpful in checking it. This program has been supported by other activities, both by the business as a whole and by the companies individually. And there is evidence that this anti-inflation program is having some effect. The job is admittedly one in which every American citizen must also play his part.

INVESTMENTS

? In buying stocks for dividends, what would be considered a reasonable yield?



Answered by
JAMES W. WOOSTER, JR., *financial associate, The Commonwealth Fund, New York, N. Y.*

✓ IN weighing the advantages and disadvantages of the various possibilities for investing capital, one side of the scale measures risk of loss; the other side measures the payment for risk. Just what "risk" is, and how it can be measured, is a question by itself; but if we assume for the moment that risk can be measured, then, where the risk is small, the reward for assuming it—that is, the payment for risk—is also small.

In this particular question we are concerned only with the income feature of an investment in common stocks, that is, with the rate of dividends, but sight should not be lost of the fact that the inevitability of change in the dollar value of the principal of the investment is a basic force in determining in the minds of potential purchasers of stocks whether or not, at any given price level, risk of loss is greater or less than payment for risk in the form of potential price appreciation.

Although a reasonable yield rate will vary from day to day, as conditions change, and as risks change, it should, I believe, be possible to establish certain yardsticks of measurement which will be useful in helping us arrive at a sound judgment at any given time as to whether the prevailing dividend rate is adequate compensation for the risks that are involved in stock ownership.

One such yardstick is that of historical perspective. Six percent is the classical concept of the proper rate of return on invested funds. Insofar as common stocks are concerned, this figure is probably the end result of the application of two arbitrary rules of thumb, namely,

that a common stock should sell for ten times its annual earnings, and that 60 percent of earnings should be paid out as dividends. Whether or not one agrees that a 6 percent yield is the "proper" one for common stocks, a survey of the past 25 years will show clearly the extent to which the investing public's opinion of a "reasonable" yield has undergone major changes.

In the 1928-1929 era, representative indices of common stocks showed a yield of 3 percent or less, whereas a few years later the yield was three times as large. Within the past several years average common stock yields have fluctuated in a range bounded by 4 percent to 5 percent on the lower side and by 7 percent to 8 percent on the higher side. At present, with the yield from many well regarded stocks in the neighborhood of 6 percent, it can be said that, from a historical point of view, current yields are "reasonable."

A second yardstick in appraising the attractiveness of a given rate of return on common stocks is its relation to the rate obtainable from the alternate employment of investment funds. For example, when interest rates are high, as in the early 1920's when United States Government bonds were on a 4½ percent and higher basis, a 6 percent return from common stocks would have been only 1½ percent or one-third greater than the return from intrinsically riskless bonds. On the other hand, when interest rates are low, and United States Government bonds yield 2½ percent or less, as has been true in recent years, a 6 percent return from common stocks appears much more "reasonable," and attractive, on a comparative basis.

The factor of the relationship between the yields afforded by different types of investments exerts a very real influence on the decisions made by the individual, and particularly by institutional investors. One of the greatest supports of the stock market during the past year or two has been the stock buying by pension funds, endowments and similar investors. A major influence behind these purchases has been the necessity for obtaining a yield in excess of the historically low return afforded by United States Government and other high grade bonds. Recent events have indicated a trend

towards higher interest rates, and larger yields from bonds. If stock yields do not increase proportionately, either through lower stock prices or higher dividend rates, this narrowing of yield spreads between bonds and stocks will make common stock yields, even though they remain unchanged, less "reasonable" in a relative, comparative sense, than they were previously.

WILLS, TRUSTS, ESTATES

? My husband has never made a will. He is the sole owner of a small business. He has never set a value on it. His entire estate would be about \$100,000. What would happen in the event of his death without a will? We have four children.




Answered by
NANCY B. STAUB, *assistant trust officer, Morristown Trust Company, Morristown, N. J.*

✓ HIS estate would be distributed in accordance with the laws of the state in which he is domiciled. These laws vary in the different states. They often provide for distribution of real estate on one basis and of personal property on a different basis. In New York, for instance, if a married person dies leaving child, children or descendants, the surviving spouse is entitled to one-third of the estate and children the remaining two-thirds, divided equally (grandchildren to take the deceased parent's share).

In adjoining New Jersey, however, the surviving spouse has a life interest in one-half of the real estate and the children have the remaining interest equally. On the death of the surviving spouse, the one-half share of real estate in which he or she had a one-half interest for life, is divided equally among the children. The spouse is entitled to one-third of the personal property, which would include your husband's business, and the children are entitled to two-thirds, divided equally.

(CONTINUED ON PAGE 64)

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If there is no will the court appoints an administrator for the estate. He is required to put up a bond, an added expense to the estate. If minor children are involved there are still further complications because a guardian must be appointed to represent their interests.

Your husband needs a will. He also needs a complete estate planning job in order to assure conservation of his estate, advantageous disposition of his business, and administration of his estate to provide maximum benefits for his family.

HOME OWNERSHIP, MORTGAGES

?

If an apartment cost, say \$80 a month, and monthly payment on a house would be the same amount, which would be apt to leave the family financially better off—house or apartment?



Answered by
MILES L. COLEMAN, building adviser, House Beautiful; Consultant to the Twentieth Century-Fund.

✓ **I**F your choice is payment of \$80 for rent on the one hand or \$80 for carrying charges on a mortgage on the other, it is very doubtful that you would be financially better off renting an \$80 apartment.

The complete answer, of course, depends upon a number of things. First, are the two \$80 payments buying the same kind of accommodations? In other words are the apartment and the house really comparable in size, quality, convenience, and so forth. If they are not, then the comparison at the outset is not a fair one.

Second, it is necessary to know just what these two \$80 payments cover. The apartment rent probably includes heat, which you would have to provide for yourself in the house. It probably also includes hot and cold water, which would be an additional cost in the house.

If the \$80 figure for the owner-

occupied house covers only the carrying charges on the loan, as the question implies, then as a home-owner, you would also face additional charges for taxes, insurance, and maintenance, which you would not have to worry about in the apartment.

Another fact that it is necessary to know is just what is the value of the house in question. The \$80 carrying charge may represent a large loan on a small house, a light loan on a big house, or a short repayment period or a long one, or a combination of some of these variables. Actually the carrying charges on a mortgage loan are not a good basis for a comparison of this sort. The loan is a debt transaction, the terms of repaying which may or may not have a close relationship to a reasonable basis for calculating the rate of physical depreciation of the house. Thus the loan may require repayment in 15 or 20 years, while the house itself would probably be usable for around 50 years and perhaps somewhat longer.

It is this difference between the amount you pay each year on the loan and the probable amount of physical depreciation of the house during that year that represents your real savings. It is the rate of depreciation—that is, the rate at which your investment is used up—that is the real basis for comparing the true cost of ownership with that of renting.

In order to make a valid comparison between the cost of renting and the cost of owning comparable kinds of housing, it is, therefore, necessary to make the following sort of calculation:

1. Take the total investment in the house (down payment plus mortgage) and figure depreciation over a 50-year period at say 4.5 percent interest. This would amount to an average figure of about \$4.20 per month per \$1,000 of value.

2. Add to this, allowances for property taxes, insurance, maintenance, water, heat, and other services provided in the comparable apartment.

3. Then compare the result with the required rent.

If on this basis the figure for owning and operating the house is equal to or not much more than the figure for the apartment rent, then the balance should be pretty clearly in favor of ownership. This calcu-

lation is, of course, very rough and does not take into account all the considerations. For example, when you own a house, you can deduct amounts paid for mortgage interest and property taxes in figuring your income tax—an advantage not available to the renter. Moreover, you need also to consider the prospect for an increase or decrease in the value of your house on the one hand as against the possibility, on the other, that rents in the future will go up or down. If the long range prospect is for an increase in values and in rents, then the rental transaction would become less advantageous over the years, while the ownership transaction would become more so. On the other hand, if the prospect is for falling prices then the balance shifts in the other direction. As things appear at present, the chance is very remote that you would ever have to sell a well-built, well-located house for a price as low as your original investment less a reasonable depreciation allowance (as you would expect to sell your car). At the same time the outlook is that, despite rent control, rents will, over the years, continue to rise.

PERSONAL FINANCES

?

Is there any "magic formula" for working out a sound spending plan?



Answered by
MABEL F. THOMPSON, assistant secretary, Union Dime Savings Bank, New York, N. Y.

✓ **N**O, there is no magic formula for working out a sound spending plan, nor is there any such thing as a standard budget. People are not alike—they have different wants and different problems. When it comes to working out a spending plan each person must decide what he wants most for the money he has and then plan to use his income in the way that will give the greatest satisfaction.

There are many factors to be considered: not only the size of the income and size of the family, but also

the standard of living, the area in which the persons concerned are located and the way they live, the demands made by the particular business or profession in which they may be engaged, the requirements of the various members of the family—their particular needs and desires, their tastes and interests, the conditions of health and the obligations and responsibilities of the family. Changing customs as they affect buying habits and the introduction of new products, to say nothing of changes in prices, also affect one's spending. All of these must be taken into consideration if the budget is to be a workable and realistic one. Accordingly, each spending plan is bound to be personal and individual. To be successful, too, it should be flexible and

where a family is involved it should be the result of family planning.

Frequently the question of percentages is brought up, but there again there is no hard and fast rule. With the lower income, the greater part of the money goes for food, shelter and clothing, with little left over for other things. As the income increases, however, more money dollar-wise is spent for necessities, but the percentage of the income so spent decreases. This means that a greater proportion of the income is available for clothing, for recreation, education, church, charity, and all those other things that help to make living easy and pleasant. And these percentages vary according to the conditions already outlined and the needs and wants of the family in question.



"I just want to say you people are falling down in these forums trying to teach the value of a dollar to people—especially dames!"

An Inventory of Personal Finances

A WORK sheet for accumulating will and estate-planning data for one's attorney is supplied to customers of The Union & New Haven (Connecticut) Trust Company in its monthly publication, the *Journal*.

The sheet is an adaptation of a form, "Estate Survey to Assist in Planning Your Estate," published by the Connecticut Life Insurance and Trust Council. It starts with a place to list the names, addresses, ages and relationships of all persons who may be included in an estate distribution plan. Then comes a financial balance sheet: present assets (bank deposits, securities, home and business property, personal effects, etc.) and present liabilities, and other assets (life insurance, jointly owned assets, etc.)

Next are the following questions that help a person see his estate problem as a whole:

Desired Disposition of Your Estate

Note down in your own words what you have in mind, giving special attention to the following:

1. Do you wish your personal effects to be sold? If not, to whom shall they be given? Are there items you particularly want to go to certain persons for sentimental reasons?
2. What disposition do you wish to

make of your home and other real estate—give it outright to your spouse or others, leave it in trust, give your spouse or other persons only the life use of it, or have it sold and the proceeds added to your estate? Do you want your executor to pay off any mortgages?

3. Do you wish to give your spouse any part of your estate outright, or do you wish to leave that part of your estate in trust? If a trust is established, would you want part or all of the principal used to supplement income in case of sickness or other emergency?

Ask your attorney to explain the "dower" or legal rights of a surviving spouse.

4. After the death of your spouse, what do you want to have done with any portion of your estate which had been held in trust for him or her?

You can provide what is to become of it, or you can give your spouse the right to dispose of it by will. Ask your attorney to explain the various possibilities.

5. What provision do you wish to make for your children? Some possibilities are outright bequests, individual trusts or provisions incorporated in trust arrangements for your spouse. Do you wish

your children to share equally or according to their needs? Be sure that your attorney understands any special family problems which you may have when you discuss these provisions with him.

6. What provisions do you wish to make for other relatives or persons dependent on you?
7. What special bequests do you wish to make to individuals, churches or charities?

8. If you are engaged in business, either as a sole proprietor, partner or large stockholder of a closely held corporation, what provision do you wish to make for the retirement of your interest at your death?

9. Do you wish to give your executor and trustee any special powers?

Careful consideration should be given to powers as to (1) the retention of investments which you leave in your estate, (2) selling, mortgaging or leasing real estate, (3) distributing in kind, (4) the management of a going business and (5) using principal in case of need. Your attorney will doubtless suggest other powers.

10. Do you want estate and inheritance taxes charged proportionately to all

beneficiaries or only to a limited number of them?

Ask your attorney to explain this fully.

11. Whom do you wish to name as your executor and trustee?

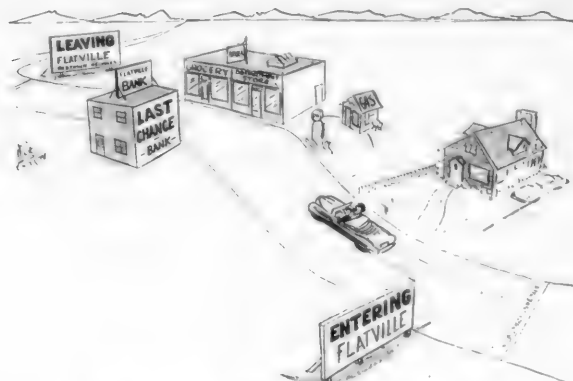
You can appoint (1) a trust company, (2) your spouse, other relative or any other individual in whom you have confidence or (3) you can name a trust company and any of these as co-executors and co-trustees.

"Setting down all this," says the *Journal*, "will serve two major purposes. It will help clarify your wishes and it will provide your attorney with the basic data necessary for the preparation of the legal document or documents—will, trust agreements, contracts, etc.—which will put your wishes into effect. We cannot emphasize too strongly the importance of giving your attorney complete information and of discussing with him any matter which you do not understand.

"Before you have filled in all of the data and answered all of the questions in this work sheet you may want the assistance of your life underwriter, your accountant or one of our trust officers for help in his particular field. . . .

"After the documents have been executed, deposit them in a safe, known and accessible place and thereafter review them from time to time, particularly whenever your circumstances change."

"Is there anything you can do to help me? I don't trust him"



"O.K.—but where would we spend it?"

The Estate Tax Simplified: Or, Lost in Darkest Algebra

EARL S. MacNEILL

MR. MACNEILL is a vice-president of the Irving Trust Company, New York City.

J. K. LASSER, author of the fabulous *Your Income Tax*—the dollar book that has sold by the millions in annual editions over the years—has turned his knack for simplification to the estate and gift tax laws.* There are pitfalls in simplification: Half-truths may be said; conclusions will stand stark without background; there will be omissions. Mr. Lasser puts strict limits on the scope of his book. His only object, he states, is to open the door; his only hope is to start the lay reader on a list of intelligent questions to discuss with his tax adviser.

"I'd like to feel," says Mr. Lasser, "that this book is like the perfect chip shot to the green; this is the stroke that pulls you out of the rough and places you where you can take a bead on the cup—where you begin to think about the techniques that help you leave your family and friends some of your property."

Wide readership is hoped for; for where we people in trust busi-

ness want all the rest of you people (bankers, directors and your customers) is right up there on the green, thinking about your wills; and if a book on taxes will lift you to putting distance from the cup, more power to it!

To trustmen, too, the book may be useful in starting trains of thought. Such as the summary of joint ownership and of tenancies in common and by the entirety in relation to gift taxes; or the strong reminder that too much of our planning, in connection with the marital deduction, assumes that the wealthier spouse will die first. The chapter "Don't Let Tax Lightning Strike Your Business" is an excellent review of lightning-arrestors. My own particular take-off point was in the final chapter.

Much is told in the title to this chapter—"How to Figure Estate Tax When the Tax Depends on a Deduction and the Deduction Depends on the Tax." It raises a most important point, and I hope that my nontrust readers are staying with me.

The problem discussed in this chapter arises when a man, seeking the benefit of the marital deduction under the Federal Estate Tax law,

* *What You Should Know About Estate and Gift Taxes*. By J. K. Lasser. Henry Holt and Company, 1951. 180 pp. \$2.95.

directs in his will that debts, expenses and taxes be paid and that half of what's left be paid to his wife and the rest to his children. A variation of this is where the testator provides that his wife shall receive so much as shall equal the maximum marital deduction—and says nothing about estate taxes. As a consequence of this, under many state laws, the taxes must be apportioned. The result would be the same in each case: The wife's share would be reduced by half of the taxes.

So you start to figure the Federal tax. But you can't be sure what the tax is until you know what the marital deduction is. Half of the estate, after debts, expenses and taxes, goes to the wife and hence qualifies for the marital deduction. But there's the rub: *after taxes*.

To pursue Mr. Lasser's example, the estate after debts and expenses (but before taxes) amounts to \$180,000. The Federal estate tax on an estate of that size would be \$25,820. However, half goes to the wife; if it's half of \$180,000, then the tax would be only \$3,000. But it can't be half of \$180,000, for the Federal tax (and a state inheritance tax, too) has to come out of the \$180,000 before the division is made. In Mr. Lasser's analysis, after assuming \$10,000 for state inheritance tax, the marital deduction worked out at \$82,857.14 and the Federal tax at \$4,285.71. It took two pages of algebraic equations to arrive at this result. But this was a relatively simple case. There are states which follow the Federal pattern, and grant marital deductions also. In these states you call in Einstein.

This is where my train of thought chugged off. It is all so unnecessary! In all wills that are submitted to us for comment, where the maximum marital deduction obviously is sought, we look for a provision to the effect that estate taxes shall *not* be a charge against the marital deduction share, but against the residuary *after* the taxes have been paid. By such means the algebraic detours can be avoided.

If such had been provided in the case Mr. Lasser cited, the wife's share would have been one-half of the \$180,000—or \$90,000; the Federal tax would have been \$3,000. True, the children would have received \$90,000 minus \$3,000 and

minus \$10,000 also (the state tax) or \$77,000 net.

This is a point to watch, in the planning. Usually the husband wants the maximum deduction (which was not gained in the example) and he doesn't mind if the wife's share amounts to somewhat more than half of the distributed estate. But if he does mind, the solution is simple: reduce the percentage of the wife's share to 45 percent or 40 percent; of course some precalculation is necessary to arrive at an equitable proportion.

Most lawyers, to our observation, are watchful on this point. They treat the marital deduction share as a legacy distinctly separate from the residuary estate. Then, by specific language, they charge all estate taxes against the residuary. A signpost marking this mathematical shortcut would have been most helpful in Mr. Lasser's book.

Forum News

The Albany (New York) Savings Bank and Siena College sponsored a women's finance forum that was attended, on four successive Mondays, by an average of 350 homemakers interested in learning how to handle the family finances. Subjects discussed by experts were personal finance planning; wills, estates, taxes and trusts; life insurance and Social Security; investments.

For the past two years the bank has sponsored broadcasts of the Siena basketball games, and it was through this contact that joint sponsorship of the forum came about.

"My budget would balance if you'd stop going over my addition and subtraction"



A "Money Workshop for Women," was arranged by the Meadowbrook National Bank of Freeport, New York, in cooperation with the Women's Forum of Nassau County and Hofstra College. The all-day meeting took place on the college campus at Hempstead. Seven financial authorities spoke.

The First National Exchange Bank of Roanoke, Virginia, had a Monday morning "kaffee klatsch" on wills, trusts and estate planning from the woman's viewpoint. The meeting, held at a hotel, was an introduction to a series of financial forums for women, to take place in the fall.

Buying Power— and YOU

These recommendations are made to the people of America by the Consumer Credit Committee of the American Bankers Association. In making them, the Committee recognizes fully the responsibility of banks to provide the public with necessary credit.

YOUR banker has a responsibility to help protect the buying power of your dollar.

You, too, can help.

There are six things every individual can do . . . things that will help keep the dollar strong and help win victory over inflation at home and over our enemies abroad.

1. Use What You Have

Make it last—wear it out!

2. Buy Only What You Need

For necessities—not for greed!

3. Pay Cash When Possible

Cash price is the low price!

4. Use Credit Carefully

Pay down all you can—

Pay all you can each month!

5. Save All You Can

In your bank account—

In U. S. Savings Bonds!

6. Help Cut Government Spending

Urge your legislative representatives to discourage nonessential expenditures!

Bank Lending

(CONTINUED FROM PAGE 43)

brought about a very definite increase. Another way that might increase these loans would be greater use of certificates of necessity."

(3) *Will the Controlled Materials Plan, affecting over 100,000 businesses, have any effect on lending policies?*

"The plan will have an effect on lending policies in that the Controlled Materials Plan, if effective, will make more hazardous the continuance of normal peace-time products. It will have an increasing tendency to restrict loans as the Government clamps down harder on the various controlled materials."

(4) *How is the Voluntary Credit Restraint Program working out in general?*

"In the 3rd District, loans outstanding have leveled off during the past four to six weeks, due to several factors, including the Voluntary Credit Restraint Program. In all reports of member banks for the week ending May 23, nondefense loans for inventory and working capital purposes were substantially reduced, while business loans for defense purposes continued to expand. In connection with the restraint program, the cooperation of all banks has been all that one could possibly desire."

The 12th District

E. C. Sammons, president of the United States National Bank of Portland, Oregon, and chairman of the Twelfth District Commercial Banking Voluntary Credit Restraint Committee, is well satisfied with the way the public is accepting the program.

Mr. Sammons said all the banks in the 12th District "are trying to police the program on the basis and spirit of the Act."

In response to a question as to how the program was working out, he said:

"I believe the Voluntary Credit Restraint program is working out satisfactorily and is having the desired effect of limiting loans over the country as a whole. Its objectives have apparently been accepted by the public in the spirit in which they were intended."

"The impact of the defense pro-



Mr. Sammons

gram is the thing which, to a large extent, caused the increase of bank loans."

According to Mr. Sammons, defense production loans are virtually a minus quantity in the district.

"We haven't seen any defense production loans in the Portland area," he said. "There is a little subcontracting and lots of talk about trying to stimulate such loans but, frankly, we won't get the defense work until the other contracts are filled. We get the crumbs. We do not have raw products, such as steel, nor the capacity to handle them. Our aluminum production is simply pig aluminum which goes elsewhere for fabrication."

Because of this condition in the northwest, Mr. Sammons does not expect the Government's Controlled Materials Plan to have much effect in this particular district.

"They can't produce unless they

Mr. Sibley



have the materials and if they haven't materials, they cannot need loans."

He added two qualifications:

"If materials are made available, defense loans will be required to make production and aid marketing."

"If we have an all-out war, we will have great activity taking ships out of mothball fleets on the West Coast. These ships will have to be repaired and put in shape to operate."

In the 6th District

Southern banking institutions are preparing to meet the financial requirements of the nation's defense program while maintaining a sound economy on the home front.

This is the view of John A. Sibley, board chairman of the Trust Company of Georgia, Atlanta, and chairman of the Voluntary Credit Restraint Committee of the Sixth Federal Reserve District.

Of a Southland booming with defense plants, Mr. Sibley said:

"I think we all recognize now that national security is a primary problem for everyone. The commercial banks seem fully aware of the necessity of screening credit as outlined in the Voluntary Credit Restraint program."

In the Sixth Federal Reserve District, the cooperation of the commercial banks has been almost unanimous.

"I believe that with a greater knowledge of the program, it will be accepted by the banks in this section with virtual unanimity."

The Atlanta attorney and financial leader went on to say that national security rests primarily on a sound economy—an economy, he said, "which requires ever increasing productive ability as well as adequate military preparations."

Mr. Sibley continued:

"In order to have a sound economy, industry, agriculture, and commerce must have ample money and credit upon which to operate."

"The Government and those businesses supplying war needs must also have ample money and credit to make the necessary war preparations."

"The call on our credit institutions to finance those businesses engaged primarily and directly in the war effort has not been felt to any great extent in our section as yet."



How many cooks does it take to spoil the broth?

When *your* money and securities are the ingredients, it may take only one person to cook up a very nasty loss for you. That's why you should have the assurance that *every* employee is bonded against dishonesty.

In addition, you'll want protection against holdup, forgery, burglary, and/or mysterious disappearance.

These hazards, and many more, are fully covered by Indemnity's Bankers Blanket Bond No. 24. This

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Ask an Agent of the Indemnity Insurance Company of North America to explain all the protective features of BBB No. 24. If you don't know who he is, write us, and we will be glad to introduce you.

Insurance Company of North America, founded 1792 in Independence Hall, is the oldest American stock fire and marine insurance company. It heads the "North America" companies which meet the public demand for practically all types of Fire, Marine, Automobile, Accident, Aviation and Liability insurance; Fidelity and Surety Bonds. Sold only through Agents or Brokers.



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Your Stockholder Relations

DAVID L. SWIFT

This article reports the results of a survey of the stockholder relations activities of the 300 largest American banks. Mr. SWIFT, who made the study, is a student at the Boston University School of Public Relations and Communications.

A GOOD stockholder relations program is based on the premise that no individual or corporate body can have too many loyal friends and customers. An investor, no matter how small, should be regarded as a potential customer and a helpful business partner. He also should be supplied with adequate, intelligible facts about the business.

More of today's stockholders are "little" men. Perhaps they own just a few shares of stock. Perhaps they don't know very much about big business operations. Nevertheless, they should be informed in the interest of the survival of the American business system, owned by the American people.

The large percentage of returns in the survey and the requests of participating banks for copies of published findings was very gratifying. It may be inferred that there is interest in stockholder relations and a desire on the part of some of the more modern banks for improved methods. Tomorrow there will be greater interest.

Some Survey Questions and Analysis of Answers

PUBLICATIONS FOR STOCKHOLDERS

Does your bank publish and distribute regularly any pamphlets, brochures or magazines for stockholders?

Yes	58.1%
No	41.9%
Did not answer question	0.0%

Total 100.0%

If your answer is "Yes," please indicate type of publication.

Annual report	47.7%
Dividend enclosures, inserts, masks	14.5%
Statement of conditions with pamphlets	9.2%
Quarterly reports	7.9%
Quarterly news bulletin	4.6%
Monthly house publication (bank magazine)	2.6%
Booklets of services	2.0%
Monthly economic letter	1.3%

Other answers 10.2%

Historical brochure once a year
To selected list—material for talks, money matters
Special publication that would be of interest to stockholders
Tax news matter—pamphlet form
Pamphlet on notice of meetings
Monthly information letters
Reprints of articles of special interest
Book type annual report with much public relations material
Blotters with dividend check
Notices about any changes in bank
Letters from the president
Semi-annual reports
Yearly letter to stockholders
News letters
Brochures about trust department and services
Written reports on annual meetings

Total 100.0%

STOCKHOLDER-BANK "INTERCOM"

Does your bank have any formal or informal inter-communication between stockholders and bank?

Yes	30.2%
No	65.1%
Did not answer question	4.7%

Total 100.0%

If your answer is "Yes," what form would this inter-communication take?

Folders enclosed with dividend check	25.0%
In annual reports	10.0%
Letter from president to new stockholders	8.3%
Letters announcing any new services	6.7%
Informal letters	6.7%
Informal letters with statement of conditions	5.0%
Personal contact	5.0%
Copies of all advertisements mailed to stockholders	3.3%
Occasional letters on special subjects	3.3%
Periodic letter from president	3.3%
Report on annual meeting	3.3%
Letters with dividend checks	3.3%
Letter from president with every dividend enclosure reporting recent developments and bank news	3.3%
Other answers	13.5%

All stockholders on general and departmental mailing lists
Personal correspondence
Booklet sent to stockholders explaining all services
Semi-annual report to shareholders, in letter form, and a resume of bank operations
Proxy notices

(CONTINUED ON PAGE 86)

Sound protection for food and investments



INTERNATIONAL HARVESTER manufactures equipment for food production. In addition, IH provides a complete line of equipment for food preservation: household refrigerators, milk coolers, and freezers.

Effective food preservation is an essential part of today's food production picture. Household refrigerators and freezers, in farm or city homes, enable families to eliminate food spoilage. On the dairy farm, milk coolers are essential for good operation.

All food preserving products are essential products. They also are sound investment sources. Already, numerous bankers realize this and cooperate with International Harvester dealers to see that people in their communities are able to obtain this equipment. The banker who handles paper on equipment of this nature performs a significant community service. He also invests his bank's funds in very profitable loans.

We invite you to visit your local IH dealer with reference to financing his refrigeration sales.

INTERNATIONAL  HARVESTER

180 North Michigan Avenue

Chicago 1, Illinois

International Harvester products pay for themselves in use

Builders of farm equipment for easier, more profitable farming . . . trucks for better transport . . . industrial power for road-building and earthmoving . . . refrigeration for better preservation of food.



Bank Leadership In Real Estate Lending

PAUL WENDT

The following description of the functioning of the Bay Area mortgage market during the period 1945-50 provides a partial summary of the preliminary results of a study of the mortgage market in the San Francisco Bay Area being conducted for the Housing and Home Finance Agency. An article covering this study at greater length appeared in the initial issue of *Housing Research*, which is published by the Division of Housing Research, Housing and Home Finance Agency. DR. WENDT is director of mortgage market research, Bureau of Business and Economic Research, University of California, Berkeley. The research and studies forming the basis for this report were performed under a con-

tract with the Office of the Administrator, Housing and Home Finance Agency, authorized by Title III of the Housing Act of 1948, as amended. The substance of such research and studies is dedicated to the public.

BANK leadership is of central importance in the Bay Area mortgage market. Banks account for at least 40 percent of the total number of conventional mortgage loans and almost 85 percent of the total number of insured and guaranteed loans made in this market. Banks play an even more commanding role in the construction loan market, making approximately 75 percent of the total number. Over 90 percent of total bank lending is

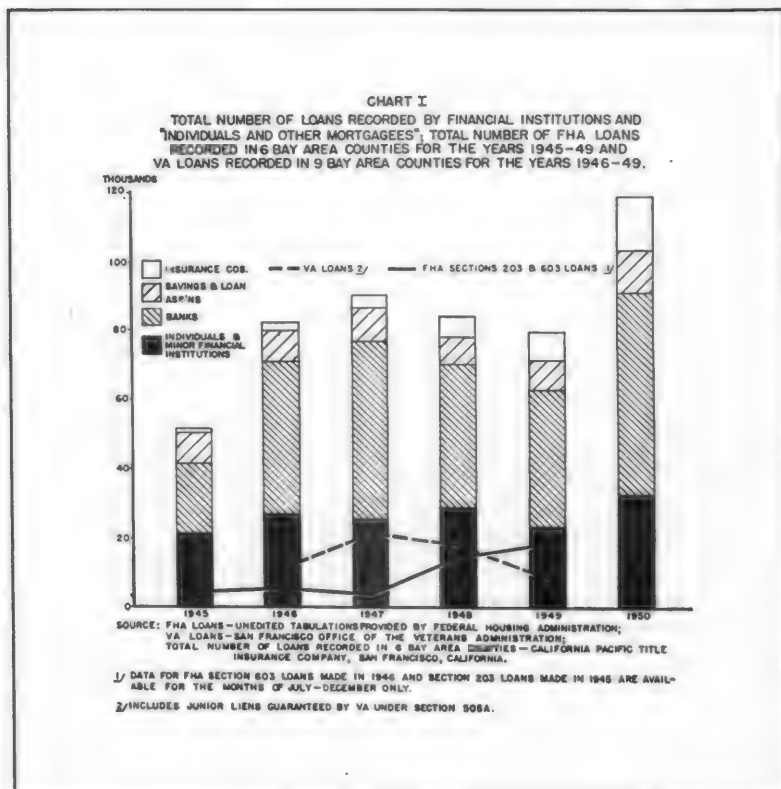
accounted for by the six leading banks.

The aggressive entry of insurance companies has served to change somewhat the structure of the local market and to increase greatly the supply of mortgage funds seeking outlets in this area. Insurance companies have taken the lead in offering mortgage credit on more liberal terms. The recent willingness of these lenders to make construction loans provides builders with additional sources of construction credit.

Although rapid increases in bank real estate loan portfolios caused savings and loan associations to decline in relative importance throughout the period 1945-48, the rate of asset growth of these lenders has exceeded that of banks. This should make it possible for these associations to maintain their position in the local mortgage market. Reflecting their growth, more and more institutions are granting construction credit and entering the market for Government-insured and tract loans. However, marked conservatism and uneven geographic dispersion continue to impede the growth of savings and loan associations.

The FHA and VA loan volume accounts for approximately one-third of the real estate loans made in this area.¹ Terms on conventional mortgage credit reflect the influence of these agencies and, more important, the effect of the Government's low-interest-rate policy. While expressing strong approval of FHA practices and reporting that they would like to see the permanent position which this agency now holds in this market strengthened, members of the building industry and mortgage lenders have participated actively

(CONTINUED ON PAGE 74)



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New Monroe method increases efficiency, cuts costs

Rhythm-add swells bank's figure production

No human hand can push a Monroe to the limit of its speed so we developed a method to make operators faster!

It's Rhythm-add, the new keyboard technique perfected by Monroe after years of research. Tested recently in one of the largest banks, this new method enabled operators to increase their adding speeds an average of 41%! And with minimum time and trouble—Rhythm-add is so easy to learn, expert or beginner can master it with only 4 to 10 hours instruction!

Increase figure production in your bank with smoother-running "Velvet Touch" Monroes and Rhythm-add. A local Monroe representative will gladly tell you how. Telephone the nearest Branch Office or write Monroe Calculating Machine Company, Inc., Orange, N. J.

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GENERAL OFFICES, ORANGE, NEW JERSEY

in the VA home loan program. The liberality of the VA terms has been a strong influence in expanding the volume of Government-supervised loans in the postwar period. The FHA firm commitment has been used because of the added security it gives the lender and because of the option it gives the builder to have the permanent loan insured or guaranteed. One result of this practice has been to strengthen the position FHA holds in the local market.

Insurance companies and other lenders enter this market and offset, to a large extent, any deficiency in the supply of permanent mortgage credit. However, marked shifts in

bank policy and the rapid entry and withdrawal of insurance company funds cause abrupt changes in the availability of mortgage credit in the local market.

This sensitiveness in supply is accentuated by the narrow institutional participation in the construction-loan market and by the reluctance of many institutions to participate actively in the private or public secondary market. Construction credit does flow into the area in response to substantial premiums, and local savings and loan associations divert funds to this use in response to the same incentive, but these do not constitute satisfactory alternative sources. Insurance companies and eastern banks apparently require a

premium of approximately 2½ percent to induce them to provide large amounts of credit on FHA- or VA-supervised construction on which the construction advances are not insured.² Support for this assertion is found in these facts:

(1) Current premiums have not induced these lenders to enter the local construction loan market on a large scale.

(2) In the Los Angeles area where premiums equal to or in excess of 2½ percent are available, savings and loan associations and insurance companies have provided large amounts of construction credit.

Local banks have been willing to supply construction credit for a fee of from 1 to 1.5 percent.³ This action, while entirely desirable in itself, has prevented the entry of these other lenders and forestalled large scale operations by mortgage companies in the Bay Area. Premiums ranging from 2 to 5 percent are apparently necessary to induce outside lenders or savings and loan associations to advance construction credit on conventionally financed developments.⁴

Lenders are not content to serve as agents for the Government in mortgage operations. This is shown by their marked avoidance of the Government secondary market and their attempt to maximize conventional loan volume. The latter action is not explainable in terms of interest-rate considerations alone. An important sector of the financial community believes (and acts on the belief) that the long-run interest of mortgage lenders and other participants in the housing industry are not best served by exclusive reliance upon Government agencies currently operating in the mortgage market.

No Privacy in the Socialist State

LONDON

THAT the socialist state can easily become a form of totalitarian regime is being made abundantly clear by the recent proposals of Britain's Labor Government. In the current Finance Bill it is provided that the taxation authorities shall be empowered to demand from banks a return of all interest payments, made or credited without tax having been deducted, where the amount of interest exceeds \$45 per annum. In the return the names and addresses of the persons receiving the interest are to be given.

To British bankers this provision comes as a bombshell. For years the principle of secrecy regarding personal banking has been an established tradition. Secrecy on bank matters is ingrained in every British bank officer. From the day he enters bank service as a raw junior, a bank man is continually reminded that the details of customers' accounts are considered sacrosanct and must on no account be divulged. Bank officers respect the tradition and it is rare to find that any information has been given away.

The amount of tax evasion by way of undeclared bank interest can in any case be of small moment, compared with other methods of avoidance. The rate of interest allowed by the joint stock banks on deposit accounts is ½ percent. Thus, a balance of at least \$9,000 must be

maintained before interest of \$45 per year is earned. Though no data are available respecting the number of accounts of this type receiving interest which is not disclosed by the recipient, it is felt that the number cannot be large. To compel bankers to disclose information to the taxation authorities is a retrograde step and savours of the police state.

Where is this sort of private enquiry to stop? If bank accounts can be scrutinised for information on one point, why not on others? The confidence built up over the years can be destroyed by a stroke of the pen.

No government in Britain has ever attempted to pry into private banking accounts before, and there will be some hard hitting and straight speaking in Parliament before the clauses embodied in the Finance Bill become law—if ever they do. The writing, however, is on the wall. Socialist legislators are no respecters of tradition or of private rights, and if they can hit at bankers they are happy.

British bankers and most people in Britain feel somewhat disturbed over the whole business. To talk of Britain as the home of freedom has a hollow enough ring about it as things are. The latest proposals are but one more example of totalitarian principles, or, more correctly, lack of principles, which sound the death knell of personal freedom.

F. BRADSHAW MAKIN

² At the present time a large eastern bank is financing tract construction under Sec. 611 (on which construction advances are insured) of the National Housing Act. The fee (service charge) may not exceed 1½ percent on this type of loan. It will be recalled that it is under VA Sec. 501 construction loans that a maximum fee of 2½ percent is permitted. Under FHA Sec. 203 and Sec. 8, Title I, such service charges shall not be in excess of 2½ percent of the original amount of a construction loan and not in excess of 1 percent of the original amount of a loan made after construction has been completed. The maximum allowable fee on other types of FHA loans (except Section 609) is 1½ percent.

³ The practice of the local office of FHA to grant firm commitments to builders and bargaining strength of large builders help explain these relatively favorable terms.

⁴ Conventionally financed tract developments have been of negligible importance in the Bay Area; they have held an important place in southern California throughout the postwar period. Premiums on conventional construction loans in southern California reportedly have varied from 2 to 8 percent.

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*Total gift shops in the United States — 12,516. Source:
U. S. Department of Commerce, Census of Business, 1948.

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BANK LAW NEWS

The Word "Savings"—5-Day Week

ADVERTISING SAVINGS ACCOUNTS

Court holds that New York cannot prohibit national banks from advertising that they accept "savings accounts"

A New York statute prohibiting the use of the words "saving" or "savings" or their equivalent by institutions other than mutual savings banks or savings and loan associations has been held unconstitutional as applied to national banks by one of that state's lower courts, the Supreme Court, Nassau County. The decision was the result of an attempt by the state to enjoin a national bank which was using those words in soliciting savings accounts.

The defendant bank argued that the statute, N.Y. Banking Law Sec. 258(1), unduly interfered with and hindered the operations of national banks, frustrating them in accomplishing the purpose for which they were organized, and discriminated against them, handicapping them substantially in their competition

for savings deposits with savings banks and loan associations.

The bank also argued that since the Federal Reserve Act specifically gives national banks the right to "receive time and savings deposits," it also impliedly gives them the incidental power to advertise for such accounts.

The court agreed with the bank's contentions and rejected the state's argument that the statute was a valid exercise of the state's police power.

Impact of FDIC

The court did recognize that "the savings bank is a semi-public institution" which the state has surrounded with legislative safeguards to insure that small depositors would run the "least possible risk of losing their funds" and that the statute in question—designed to prevent injurious competition from institutions with powers "less narrow and circumscribed"—was prompted by the state's "traditional zeal to clothe its savings banks

with the ultimate in known safeguards against financial loss by depositors."

However, the court apparently felt that the need for such protective legislation ceased with the creation of the Federal Deposit Insurance Corporation. "As the matter stands today," said the court, "all deposits in national banks are insured by the United States Government in exactly the same way as deposits in savings banks. . . . In the light of this development, has not one of the principal reasons for the studied protective legislation referable to savings banks, including Sec. 258(1), and the protective attitude of the courts in their reflective decisions become academic? Is that arm of state protection to reassure bank depositors needed any more?"

Opinion Poll Admitted

So far as is known, the case is the first in which the results of a public opinion poll have been admitted in evidence. The court, over the state's objections that it constituted hearsay, admitted the results of a survey showing that the public had more understanding of the words "savings account" than of substitute words which state and national banks have long used under the compulsion of Sec. 258(1): "compound interest account," "special interest account," and "thrift account."

In admitting the evidence, the court held that where the mere fact that a statement was made, as distinguished from its truth or falsity, is relevant, evidence that the statement was made is original evidence and not hearsay. "A party endeavoring to establish the public state of mind on a subject, which state of mind cannot be proved except by

(CONTINUED ON PAGE 79)

Summary of 1951 Five-Day Bank Week Legislation

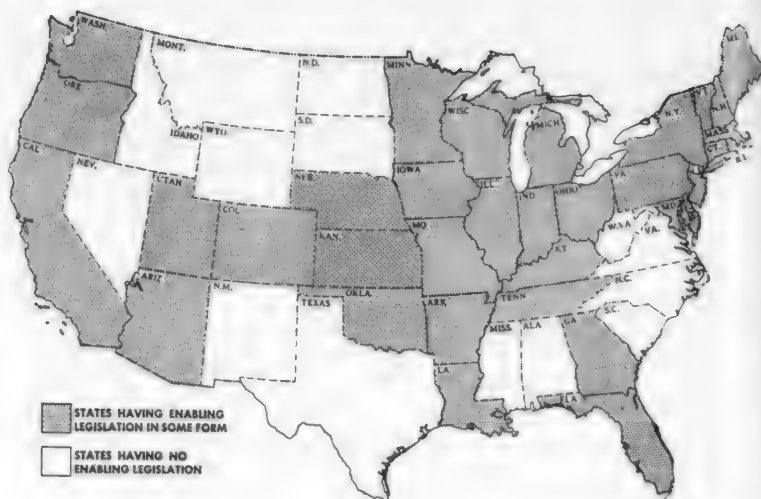
Three states, *Kansas*, *Nebraska*, and *Vermont*, adopted 5-day bank week legislation for the first time in 1951. *Nebraska's* law permits any bank in the state to close on Saturday; the laws of *Kansas* and *Vermont* permit any bank to close on any one weekday of its choice.

Four other states enlarged the scope of existing 5-day bank week legislation. *Florida* now permits banks to close in Duval County, which includes the city of Jacksonville, and in Okaloosa County in the western part of the state. *Ohio* now permits its banks to close on either Monday or Saturday, rather than on Saturday only. *Maine* banks may now close Saturdays throughout the year, rather than during the summer months only. Permissive Saturday closing in *Minnesota* has been extended to all of St. Louis County, in which Duluth is located.

Thirty-five states now have some form of legislation permitting banks to operate on a 5-day week. The details of these laws are shown in a table appearing on page 78.

FIVE-DAY WEEK LEGISLATION BY STATES

As of June 1, 1951



5-DAY-BANK-WEEK LEGISLATION

State	Year First Law Enacted ¹	Citation to Law Now in Effect	Areas Where Banks May Close	Day When Banks May Close
1. Arizona	1949	L.'49, Ch.101	Entire State	Any weekday
2. Arkansas	1949	L.'49, No.194	Entire State	Any weekday
3. California	1939	L.'39, Ch.414	Entire State	Saturday
4. Colorado	1949	L.'49, H.B.1124	Entire State	Saturday
5. Connecticut ⁴	1947	L.'47, Ch.6	Entire State	Saturday
6. Delaware	1935	L.'51, S.B.156	Entire State	Saturday
7. Dist. Columbia	1946	P.L.508, 1946	Entire State	Saturday
8. Florida	1947	L.'47, Ch.24275, 24136 L.'49, H.B.1122 L.'51, H.B.743, S.B.536, S.B.792 L.'49, No.130	Limited Areas ²	Saturday
9. Georgia	1947	L.'49, H.B.302	Entire State	Wed., or Thurs. or Sat.
10. Illinois	1949	L.'49, Ch.108	Entire State	Any weekday
11. Indiana	1949	L.'49, Ch.108	Entire State	Any weekday ⁵
12. Iowa ⁶	1948	Op.A.G., 6-7-'48 L.'51, H.B.143	Entire State	Saturday
13. Kansas	1951	L.'48, Ch.150	Entire State	Any weekday
14. Kentucky	1948	L.'50, Nos.96,98	Entire State	Any weekday ⁵
15. Louisiana	1948	L.'51, H.B.1255	Limited Areas ²	Saturday ^{2, 6}
16. Maine	1947	L.'49, Ch.493	Entire State	Saturday
17. Maryland	1947	L.'47, Ch.9	Limited Areas ³	Saturday
18. Massachusetts	1946	L.'48, No.33	Entire State	Saturday
19. Michigan	1948	L.'51, Ch.128	Entire State	Saturday
20. Minnesota	1949	L.'47, H.B.47,58	Limited Areas ³	Saturday
21. Missouri	1947	L.'51, L.B.328	Entire State	Any weekday
22. Nebraska	1951	L.'47, Ch.35	Entire State	Saturday
23. New Hampshire	1947	L.'47, Ch.10	Entire State	Saturday
24. New Jersey	1938	L.'47, Ch.22	Entire State	Saturday
25. New York	1939	L.'51, S.B.164	Entire State	Saturday
26. Ohio	1947	L.'49, S.B.91	Limited Areas ³	Sat. or Mon.
27. Oklahoma	1949	L.'49, Ch.80,145	Entire State	Any weekday
28. Oregon	1949	L.'47, No.52	Entire State	Saturday
29. Pennsylvania	1947	L.'47, Ch.1817	Entire State	Saturday
30. Rhode Island ⁴	1947	L.'49, Ch.187	Entire State	Saturday
31. Tennessee	1949	L.'49, H.B.168	Entire State	Wed. or Sat.
32. Utah	1949	L.'51, H.B.96	Entire State	Saturday
33. Vermont	1951	L.'47, Ch.221	Entire State	Any weekday
34. Washington	1947	L.'47, Ch.36	Entire State	Saturday
35. Wisconsin	1947		Entire State	Saturday

(¹) This column shows the year in which each state first enacted some form of 5-day-bank-week legislation.

(²) Limited area closing. Principal cities affected are in parentheses:

Florida—Six separate laws have been enacted. They permit Saturday closing in the following counties: Dade (Miami), Duval (Jacksonville), Monroe (Key West), Okaloosa (Crestview) and Palm Beach (West Palm Beach).

Louisiana—Orleans Parish (New Orleans) and city of Baton Rouge. Governing authorities of other parishes in state may declare Saturdays to be holidays therein. Governing authority of Washington parish may declare either Wednesday or Saturday a holiday therein.

Maryland—All counties except Caroline, Queen Anne's, Somerset and Worcester (in the rural Eastern Shore area).

Minnesota—Counties of more than 5,000 square miles and 150,000 pop. (Duluth); area within 10 miles of first-class cities (Duluth, Minneapolis, St. Paul).

Oklahoma—Cities of more than 100,000 pop. (Oklahoma

City and Tulsa).

(³) Iowa's Attorney General ruled in 1948 that banks may close on Saturdays, but the state has no law specifically giving them permission to close.

(⁴) Connecticut and Rhode Island banks closed in the summer of 1946 by governors' proclamations. Saturday closing legislation was not passed in these states until 1947.

(⁵) Indiana and Kentucky banks may not close under the 5-day-week law in weeks in which a legal holiday occurs.

(⁶) The Louisiana law provides that in no parish shall Saturday or Wednesday be a holiday when the immediately preceding day is a holiday.

(⁷) Oregon banks which close on Saturday may not close on Lincoln's Birthday, Washington's Birthday or State Election Day when these holidays are observed on Friday or Monday.

(⁸) The Utah law permits Saturday closing during June, July, August and September only. All other laws permit banks to operate on 5-day week throughout the year.

For further information on 5-day-bank week legislation, write Thomas B. Paton, Secretary, Committee on State Legislation, American Bankers Association.

(CONTINUED FROM PAGE 76)

calling as witnesses so many of the public as to render the task impracticable, should be allowed to offer evidence concerning a poll which the party maintains reveals that state of mind."

Although the court stated broadly that "The New York statute is unconstitutional," its opinion dealt only with the application of the statute to national banks and not with its application to state commercial banks and trust companies, nor to individuals, partnerships, unincorporated associations, and corporations.

The state may appeal the decision to a higher court, but whether it intends to do so had not been made known when this issue went to press. *State v. Franklin Nat'l. Bank*, N.Y. Supreme Ct., Nassau County, May 29, 1951. cf. *Paton's Digest*, Banks and Banking §§ 22:1, 22:2.

UNIFORM COMMERCIAL CODE

A final draft of the proposed new Uniform Commercial Code has received the approval of its sponsors, the American Law Institute, and the National Conference of Commissioners on Uniform State Laws. These organizations now intend to have the code presented to Congress and the state legislature for enactment.

Adoption of the code by any state would be accompanied by the repeal of any of the following uniform acts presently in force in that state:

- Negotiable Instruments Act
- Warehouse Receipts Act
- Sales Act
- Bills of Lading Act
- Stock Transfer Act
- Trust Receipts Act

Its adoption would also entail repeal of existing laws regulating the following matters:

- Bank collections
- Bulk sales
- Chattel mortgages
- Conditional sales
- Factor's liens
- Farm storage of grain and similar acts
- Financing of accounts receivable

~~~~~  
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~~~~~

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A class at the 1950 School of Banking of the South. The 1951 campus session will meet at Louisiana State University, Baton Rouge, August 12 to 25. Most of the students come from the states whose state bankers associations combined their efforts to put the school into operation last year. These states are Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, South Carolina and Tennessee. Graduation requires three 2-week periods on the campus plus extension work

In Orlando, Florida, 445 high school students have just completed their year's course in banking, in a program which was begun four years ago by the Florida Bankers Association. The course is taught by the regular public school teachers, who receive cooperation and teaching material from their local banks. Above are some Orlando students on a recent visit to The First National Bank, where, for three hours, they received first-hand instruction from bank officers on operations, lending, and trust functions. Bank officers shown in the picture are, *left to right*, I. A. Mayfield, cashier and vice-president, and vice-presidents, O. H. Eaton and R. H. Gibbs



ENDORSEMENTS FOR A.B.A. VICE-PRESIDENCY

The following state association endorsements for the vice-presidency of the American Bankers Association for 1951-52 have been announced in the press: Nebraska, W. Harold Brenton; North Dakota, W. Harold Brenton; South Dakota, W. Harold Brenton; Tennessee, W. W. Campbell.

Banker-Newspaper Teamwork

MAKING banking and financial information available to local people who can use it—in their homes or offices—is the purpose of a noteworthy public relations project of the Bergen County (New Jersey) Bankers Association. Partner in the enterprise is the local newspaper, the *Bergen Evening Record*.

Each Saturday the *Record* devotes approximately four columns (one-half page) to a round-up of financial news of interest locally. This includes two "boxes," labelled, respectively, "Bergen County Banking Activity" and "Bergen County Business Activity"; news stories; a regular column on the week's financial developments; a column of short items called "This Week in Business"; and whatever other material the county association, through its public relations director, and the newspaper's representative consider appropriate.

Although this public relations idea was described very briefly in "Other Organizations" in June BANKING, it seems worthwhile to give more information on how the job is done, since several other bankers' organizations have indicated their interest in performing the same public service, with the help of their own local papers.

The weekly feature was begun last March through the active efforts of Fredric S. Bayles, vice-president, The Garden State National Bank, Teaneck, and chairman of the public relations committee of the Bergen County Bankers Association, and Kenneth L. Demarest, a writer for the *Record*, published in Hackensack.

News items from individual banks in the association are screened through its public relations counsel, William Krieger, who then passes them on to Mr. Demarest. This is

done to prevent duplication, inconsistency, and the possibility of what might appear to be "plugs" for individual institutions. Also eliminated from the editorial columns is copy extolling the virtues of checking accounts, banking-by-mail, and so on, which properly belong in paid advertising.

The target of the program is the assembly in convenient form of information and news which will be useful and helpful to the average newspaper reader, whether business man, professional man or housewife.

The Federal Reserve Bank of New York prepares a weekly column of banking and business information for the Bergen bankers, while data for the business activity "box" is obtained from private compilations, government bureaus, trade associations, and other recognized sources of statistical data. Included are such items as industrial power consumption, new car sales (by make of cars), new trade names and new corporations, businesses dissolved, chattel mortgages filed, suits started, bankruptcies, foreclosures, mort-

SOME NEW STATE ASSOCIATION PRESIDENTS



Left to right: PENNSYLVANIA—Robert C. Downie, president, Peoples First National Bank & Trust Company, Pittsburgh; MAINE—Harold R. Stone, president, First National Bank, Belfast; TENNESSEE—William Parker, vice-president and cashier, Citizens Bank, Lafayette; MARYLAND—Samuel P. Cassen, president, Towson National Bank, Towson



Left to right: WISCONSIN—Orland K. Johnson, executive vice-president, Whitefish Bay State Bank, Whitefish Bay; SOUTH CAROLINA—J. B. Gambrell, president, Bank of Great Falls, Great Falls; VERMONT—Louis C. Desautels, president and treasurer, Orleans Trust Company, Newport; ILLINOIS—Ben H. Ryan, president, State Bank of East Moline, East Moline



Left to right: CONNECTICUT—G. Harold Welch, vice-president, The New Haven Bank, N.B.A., New Haven; DELAWARE—George T. Reed, Jr., treasurer, Milford Trust Company, Milford; NORTH DAKOTA—A. R. Weinhandl, president, First National Bank, Minot; OREGON—John B. Rogers, president, First National Bank of Baker

gages recorded, and data on new building.

Bergen County banking activity figures are supplied by the local banks. They include debits, demand deposits, mortgage loans, secured

Owen L. Carlton is the newly elected president of the Bankers Association for Foreign Trade. Mr. Carlton is vice-president of the Central National Bank of Cleveland



loans, bills discounted, automobile loans, personal loans and home improvement loans. Comparisons are made with the previous week, "same week last month," and "same month last year."

A few headlines from recent copies of this financial page were: "Bergen Prepared for War Effort," "Personal Loans in Bergen Banks Total \$5-Million," "Banks Handle Rush Business," "Safe Deposit Box Capacity Doubled by Teaneck Bank," "Common Stocks Set Record in Dividend Yields," and "Kreiser Workers Get Pension Plan."

Brice A. Eldridge, president of the Bergen County Bankers Association and vice-president and secretary of the Hackensack Trust Company, considers that the banker-newspaper project has been well received, not only by the association's members but by the public, as well. The bank association in Passaic County, next door to Bergen, has undertaken the same program, and there are indications that the idea may spread to other counties, not only in New Jersey but nearby in New York State.



A scene from *Career for Two*, a new 19-minute color film, combining live action and animation, being offered, beginning in September, by the Savings Banks Association of the State of New York. It is the fifth film produced by the association in its visual aids program

A continuing effort is being made by the association to find out how useful the *Record's* weekly financial page is, whether people are reading it, and how it can be improved. One method used was the distribution to customers, in the bank, of reprints of the activity statistics described above, printed with an explanation of how the figures can be compared and interpreted from week to week, and their significance. Other methods of discovering reader reaction are under consideration.

MR. BANKER

This message is addressed specifically to the chief executive officers of banks with real or potential personnel-morale problems. Thus, to a limited extent, at least, it is of vital interest to every bank president in the country, because those problems are a burden shared by the entire banking fraternity, and they are becoming more and more acute with each passing day.

The author of "The Romance of Banking," Samuel A. Hoffman, Vice President of The Exchange National Bank of Chicago, is an experienced banker whose sole interest in circularizing this booklet is based on his sincere desire to help alleviate banking's personnel-morale problems. "The Romance of Banking" in the words of Kathryn L. Gannon, Editor of "The Teller," a publication by The Detroit Bank, is "an interesting story of man's economic development from the early stages of barter and trade to our present diversified banking operations."

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Elsewhere—

Kent Monypeny, a teller at the First National Bank of Memphis, Tennessee, has won the 1951 Frank K. Houston award for the best paper on "Banking as a Profession." The award, given by Mr. Houston, honorary chairman of the Chemical Bank and Trust Company of New York, and sponsored by the Tennessee Bankers Association, is offered annually

* * *

The 1951 Report of the Bank Management Commission of the Kansas Bankers Association has been issued. It is based this year on data obtained from 491 banks in the state. As in previous reports, the data are divided according to the size groups of the individual (but unidentified) banks reported upon. Chairman of the KBA Bank Management Commission that compiled the report is Maurice L. Breidenthal, president, Security National Bank, Kansas City, Kansas.

* * *

Margaret Barnes has resigned as executive secretary of the New



A group of American guests of the Mexican Bankers Association at the MBA's annual convention in Guadalajara. On the right of Secretary of the Treasury Snyder, holding a gavel, is retiring President Velasco. On Secretary Snyder's left, holding a paper, is the MBA's new president, Luis Latapi. The convention this year was marked by a considerable divergence of opinion between private bankers and government officials as to economic controls and other factors in management of the Mexican economy

Mexico Bankers Association, having held that position for 28 years. She was given the title of secretary emeritus and remains as secretary of Group No. 4.

Woodlan Saunders, former state

bank examiner, succeeds her as executive secretary. His temporary address is 227 Washington Avenue, Apartment D, Santa Fe, New Mexico.

WILLIAM P. BOGIE



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BANKING NEWS

Seek Exemption From OPS Ceiling on Bank and Trust Charges

A.B.A. Advises Banks to Comply with Law

The Bank Management Commission and the Trust Division of the American Bankers Association have filed application with the Office of Price Stabilization for an exemption for banks from price control for bank and trust services.

The Commission and the Division have sent a bulletin to all A.B.A. member banks advising compliance with the Regulation, although application for exemption was filed. The bulletin goes into considerable detail in describing the steps banks must take to comply with the Regulation.

The applications were filed in behalf of the Bank Management Commission by its chairman, James H. Kennedy, vice-president and cashier of the Philadelphia National Bank; and for the Trust Division by its president, Raymond H. Trott, president of the Rhode Island Hospital Trust Company, Providence.

Survey Seeks Data on Farm Activities Outside the Bank

The A.B.A. Agricultural Commission is conducting a survey to determine how many banks in rural areas conduct an outside-the-bank agricultural program.

The Commission has asked: Whether the bank has an agricultural department; name and title of person in charge; approximate cost of maintaining the agricultural program; and a brief description of such a program. The questionnaire also asks banks not employing a full-time farm representative to report on utilization of a staff member on a part-time basis.

With the questionnaire, the Agricultural Commission mailed a four-page folder urging banks to encourage soil conservation.

GSB Continues at Capacity Enrolment as 17th Resident Session is Held at Rutgers



The building on the Rutgers campus best remembered by the banker-students at The Graduate School of Banking is University Commons, above, which serves as the dining room, assembly hall, evening seminar class room, and for other get-togethers of the entire student body

Forty-two states, the District of Columbia and three foreign countries are represented in the student body this year at The Graduate School of Banking, conducted by the American Bankers Association at Rutgers University.

The largest state group is that of New York, with a total of 230—86 in the first-year class and 72 each in the second-year and graduating classes. Next came Pennsylvania with 128 (53 of them in the freshman group), Massachusetts with 95 (32 freshmen, 22 seniors), New Jersey with 60, Connecticut

with 54, Virginia with 50 and Ohio with 43.

Missouri sends 38, Georgia 31, Texas 27 and North Carolina 26. California, the District of Columbia and Illinois are tied, with 23 each, while Michigan and Alabama each send 16. Indiana and Minnesota are represented by 14 each, and Maine and Maryland each sends an even dozen.

Cuba has one man in the graduating class, while India has two freshmen and the Union of South Africa one.

A census by cities shows New York, 150; Boston, 59; Chicago, 19.

Banking—Business Covered in Booklet

Money and Banking — In Our Everyday Living has been issued by the Public Relations Council of the American Bankers Association as a teaching aid designed for high school classroom use, under bank sponsorship.

This nonadvertising factual booklet about money, credit, and banking services contains a detailed explanation about the clearing of checks through the Federal Reserve System. It can be used with such courses as: Introduction to business, economics, etc.

Incentive Savings Plans Are Described

Incentive Savings Plans, a booklet just published by the A.B.A. Savings and Mortgage Division, is available to each A.B.A. member bank upon request.

Fifteen incentive promotions are included in the booklet, together with illustrations of the forms needed as well as procedures to be followed. They range from special-purpose accounts to long-range savings programs.

Some of the plans are bank-developed; while others are copyright-protected.

Ethical Printers Aid in Apprehension of Check "Operators"

A Chicago printer telephoned the A.B.A. to report an order to print a firm name on some checks of a distant bank. He was suspicious—and he was right. The F.B.I. picked up the customer as a swindler.

The incident is reported in the *Protective Bulletin* of the American Bankers Association. It reports further that four other arrests of big-time check operators can be credited to printers who "follow through on the ethics of their trade."

Guide for Municipal Bond Credit Files Is Published by A.B.A.

A new *Guide for Municipal Bond Credit Files* has just been published by the National Bank Division of the American Bankers Association and is being offered for sale to A.B.A. member banks.

Division President L. C. Bucher, who is president of the Lincoln National Bank, Cincinnati, in announcing publication of the volume states that it "presents the important factors affecting municipal bond credit and contains workable forms which can be used to assemble the essential information necessary to determine the quality and credit standing of municipal securities and to follow the developments affecting their value after acquisition."

Since the use of the guide is not limited to national banks alone, drafts were circulated, prior to publication, among other A.B.A. divisions, the principal bank supervisory authorities, credit agencies, and municipal bond specialists.

Did You See?

HOUSING RESEARCH: Capsule Descriptions of Projects Started Under Contract in 1950, issued by Housing and Home Finance Agency, Office of the Administrator, Division of Housing Research, Washington, D. C.

Bankers Blanket Bond Improvements Made Effective on June 11

Extended coverage and other improvements in new Standard Forms No. 24 and No. 2 of Bankers Blanket Bonds became effective on June 11 according to the Insurance and Protective Committee of the American Bankers Association. In the June issue of the *Protective Bulletin*, the Committee explains that until outstanding bonds are replaced with the new forms, insured banks will be notified by their underwriters that they have the benefit of all of the improvements applicable to the form of bonds and insuring clauses carried.

The *Bulletin* notes that: "In redrafting these bonds, the Surety Association of America has also incorporated several improvements made by endorsement since the forms were last revised on May 1, 1946, and has changed the terms and conditions of Form No. 2 to make them conform with Form No. 24 wherever practicable without eliminating distinctions which the Surety Association believes merit a slightly higher premium being charged for the No. 24 Bond."

The changes which became effective on June 11 are outlined in the June 1951 issue of the *Protective Bulletin*.

New A.B.A. Members

T. J. O'Brien, chairman of the A.B.A.'s Organization Committee and vice-president of the Second National Bank, Houston, reports that 14 banks in 12 states were received into A.B.A. membership during May. They are:

ARIZONA: Bank of Flagstaff*; First National Bank of Arizona, South Phoenix Branch, Phoenix.

COLORADO: Middle Park Bank, Granby.*

DELAWARE: Farmers Bank of the State of Delaware, Market Street Branch, Wilmington*; Farmers Bank of the State of Delaware, John Wanamaker's Store Branch, Wilmington.*

IDAHO: Twin Falls Bank & Trust Company, Kimberly Branch, Kimberly.*

NEW YORK: Brooklyn Savings Bank, Kings Highway Office, Brooklyn.*

OHIO: First National Bank, Cadiz.

OREGON: Lincoln Bank, Willamina Branch, Willamina.*

PENNSYLVANIA: Marion Bank, Marion.

TEXAS: University State Bank, Fort Worth.*

WASHINGTON: Chief Joseph State Bank, Bridgeport.*

WEST VIRGINIA: Bank of West Virginia, Charleston.*

WISCONSIN: Dodgeville State Bank.*

*Newly organized.

G.I. Information in New A.B.A. Booklet

The A.B.A. Committee on Service for War Veterans has mailed to the entire A.B.A. membership a brochure entitled *Current G. I. Information for Banks*. In a foreword to the publication, the Committee notes that it "believes that the banks have a moral obligation to the men and women of their communities who may be called into service to render them such assistance as the banks may be qualified to offer in keeping with sound banking practices."

To this end, there has been collected information on: Re-employment rights; military leave policies to bank employees; servicing existing loans to men called to service; loans to potential servicemen; special housing loans to disabled veterans; financial counseling; other bank services; and a table of military pay and allowances.

Need Financial Advice

The booklet points out that many individuals who are called—or recalled—to active duty will need advice on financial matters. Several examples are presented of work being done by banks in cooperation with service organizations, the Lawyers Reference Service, the Legal Aid Society, and the local bar associations.

Protests Creation of Small Defense Plants Corporation

Move "Unnecessary"

According to A.B.A.

Amendment to Section 701 of the Defense Production Act to create a Small Defense Plants Corporation has been protested by the American Bankers Association in a statement filed with the Senate Committee on Banking and Currency.

"Congress has already enacted suitable legislation to enable small business concerns to participate in the defense program of the country and to assure them ample financing," the Association said.

Financing Available

"Present governmental agencies and private financing institutions are in a position to supply the aid to small business needed to achieve the objectives of the Defense Production Act," the statement said.

The A.B.A. pointed out also that under the Voluntary Credit Restraint program "banks are diverting their lendable funds primarily to production, distribution, and servicing of goods needed for the national defense and for essential requirements of civilians in this emergency."

CALENDAR

American Bankers Association

- July 9-10 A.B.A. Public Relations Workshop, Chalfonte-Haddon Hall, Atlantic City
- Sept. 30- Oct. 3 77th Annual Convention, Stevens Hotel, Chicago, Illinois
- Oct. 17-19 Western Regional Trust Conference, St. Francis Hotel, San Francisco, California
- Nov. 8-9 Mid-Continent Trust Conference, Drake Hotel, Chicago

State Associations

- July 12-14 West Virginia, The Greenbrier Hotel, White Sulphur Springs
- Sept. 23-26 Maine Savings, Wentworth-By-The-Sea, Portsmouth, N. H.
- Sept. 23-26 Massachusetts Savings, Wentworth-By-The-Sea, Portsmouth, N. H.
- Oct. 3-5 New York Savings, Lake Placid Club, Lake Placid

Other Organizations

- July 7-8 Eastern Secretaries Conference, Chalfonte-Haddon Hall, Atlantic City
- Sept. 11-14 38th Annual Convention Mortgage Bankers Association of America, Mark Hopkins and Fairmount Hotels, San Francisco, California
- Sept. 27-30 Annual Convention of the Association of Bank Women, Hotel Sheraton, Chicago
- Oct. 7-10 Robert Morris Associates, Waldorf-Astoria, New York
- Oct. 11-12 Nebraska, Fontenelle Hotel, Omaha
- Oct. 16-17 Connecticut Savings, Mountain View House, Whitefield, N. H.
- Oct. 21-23 Kentucky, Brown Hotel, Louisville
- Oct. 21-24 Iowa, Des Moines
- Oct. 21-24 31st Annual Meeting of the Consumer Bankers Association, Edgewater Beach Hotel, Chicago
- Oct. 22-25 National Association of Bank Auditors and Comptrollers, 27th Annual Convention, New Orleans, La.
- Nov. 12-15 Financial Public Relations Association, Hollywood Beach Hotel, Hollywood, Florida



with our compliments...

This Guide to Better Indexing

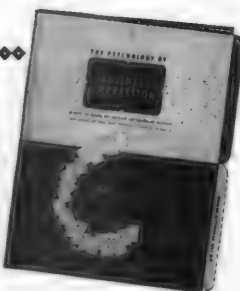
Contains useful information about Tab sizes, Card sizes, Methods of Indexing, Ruling Instructions, and ideas for color control systems. 5 x 8 card samples provide a permanent reference file for selecting and buying index.

This unusual Guide will tell you the facts about Neenah's cotton fiber indexes: Resolute and Neenah,



which are made to satisfy a wide range of office needs. Ask for a free copy on your business letterhead.

Thousands of business, banking and insurance executives, have found ideas in this unusual portfolio. A Test Kit of 24 basic letterhead treatments with full production data is included. To secure a copy ask your printer, engraver, or paper merchant ... or write on your business stationery to Neenah Paper Company, Neenah, Wisconsin.



NEENAH PAPER COMPANY
NEENAH, WISCONSIN

Your Stockholder Relations

(CONTINUED FROM PAGE 70)

Monthly message

Reprints of newspaper ads

Each stockholder's name assigned to an officer who makes personal call or communicates otherwise—annually or more often may be necessary

Total 100.0%

STOCKHOLDER OPINION

Are your stockholders ever solicited for opinions or advice about proposed advertising programs or internal policy change?

Yes	7.8%
No	88.8%
Did not answer question	3.4%

Total 100.0%

If your answer is "Yes," what matters are they asked about?

Over-all policy matters	10.0%
Made part of annual meeting	10.0%
Advertising and loan policies	10.0%
Ask for suggestions on all services	10.0%
Discussed at annual meeting ("retirement plan for instance")	20.0%
Suggestions solicited on policies affecting loans, advertising, and handling trust accounts	10.0%
Bank held by holding company—their advice solicited on services	10.0%
Occasionally send out questionnaires to obtain reactions and suggestions about all material that is directed to stockholders	10.0%
This sent out to stockholders once a year "Do you like what the bank is doing?" "If not, why not?"	10.0%

Total 100.0%

CHRISTMAS GREETINGS

Does your company send season's greetings to its stockholders?

Yes	31.2%
No	66.5%
Did not answer question	2.3%

Total 100.0%

If your answer is "Yes," what form do you use?

Cards with dividend checks	41.8%
Christmas cards	23.6%
Christmas letter signed by president or chairman of the board	10.9%
Special letters	7.3%
Other answers	16.4%

Calendars

Cards signed by officer handling account

New Years card expressing appreciation for patronage

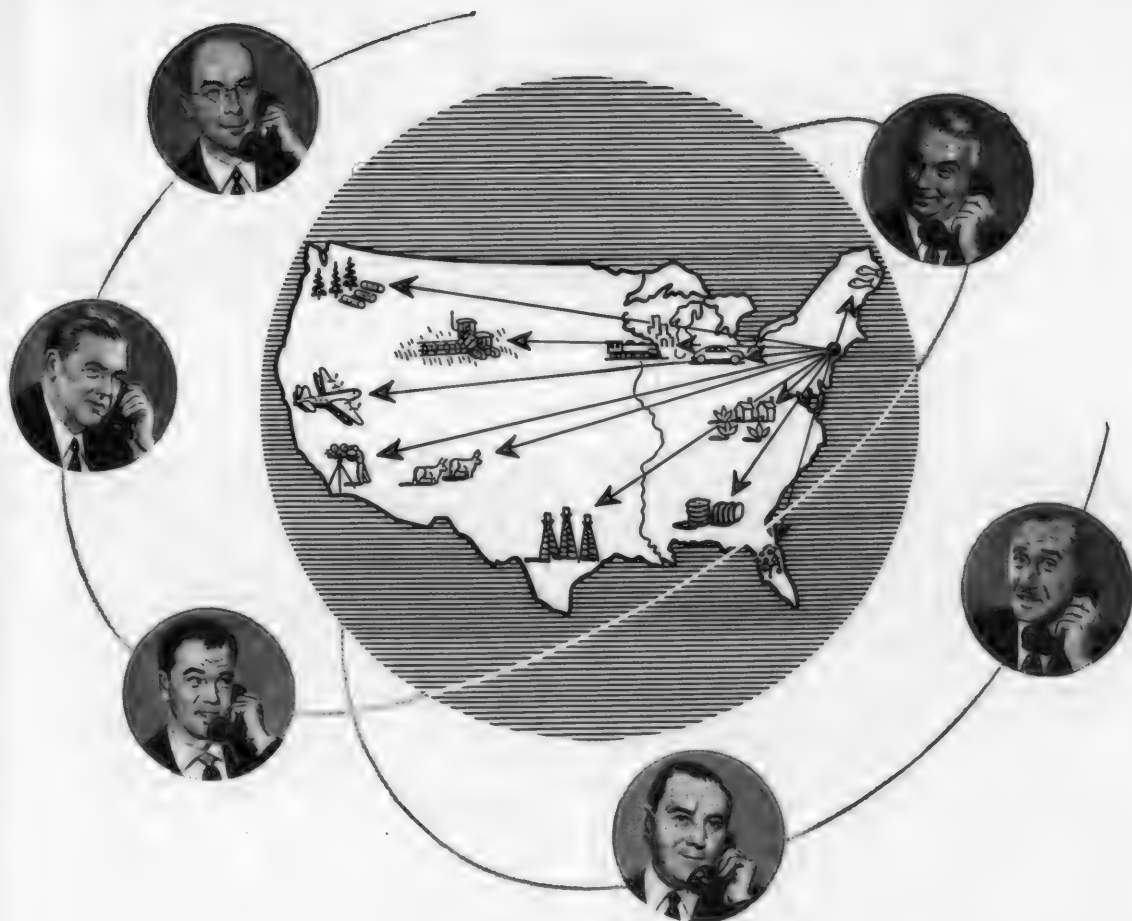
Christmas card bearing scene of our own bank lobby

Through internal house publication

Brochures at Christmas

Personalized letters

Total 100.0%



EVERY HOUR OF THE DAY the facilities of the Chase are being employed in the service of correspondent banks.

Through branches, representatives and overseas correspondents Chase provides service of world-wide scope.

Chase is a banker's bank, with the personnel, experience, and equipment to serve correspondents *around the world . . . around the clock.*

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

Member Federal Deposit Insurance Corporation



SERVICE TO CORRESPONDENTS

- Credit information*
- Around the clock mail pick-up*
- Quick collection of items*
- Participation in local loans with correspondent banks*
- Dealers in State and Municipal Bonds*
- Execution of security orders*
- Analyses of investment portfolios*
- Safekeeping of securities*
- Full foreign services*
- Many personal services*

Unqualified Approval in San Francisco



IN SAN FRANCISCO . . . The Pacific National Bank writes: "The new Burroughs bookkeeping machines have been in service long enough now for us to be able to appraise the many new features, and we are very well satisfied." The bank also mentions reduced operator fatigue, and the fact that bookkeeping employees like the improvement. "They, too, are very well satisfied . . . as evidenced by their attitude toward the work." In addition, the bank expresses its satisfaction with the way these new machines were installed with a minimum of interference with its normal program.

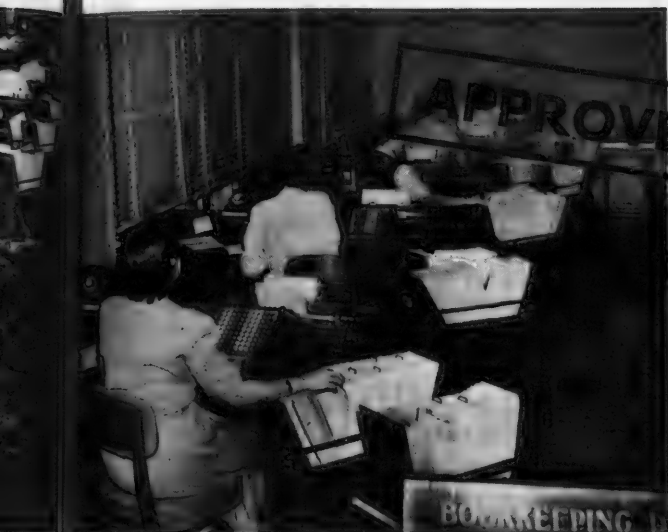


IN BUFFALO . . . Manufacturers and Traders Trust Company installed its first new Burroughs bank bookkeeping machines a little over a year ago. That the results are "very satisfactory" is evidenced by the fact that the bank has ordered additional machines for future use. The bank reports specifically that, "easier key depression and form alignment together with the simplified single-function motor bars have reduced operator fatigue and posting errors. The dual platen which permits the listing of multiple checks has increased the efficiency of the posting operation."

the New Burroughs
Bank Bookkeeping Machine
endorsed by users everywhere!

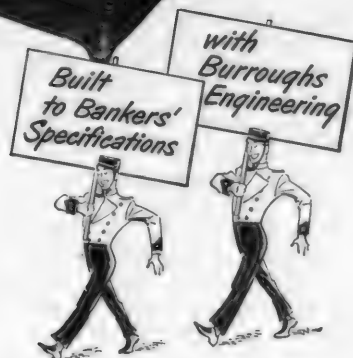
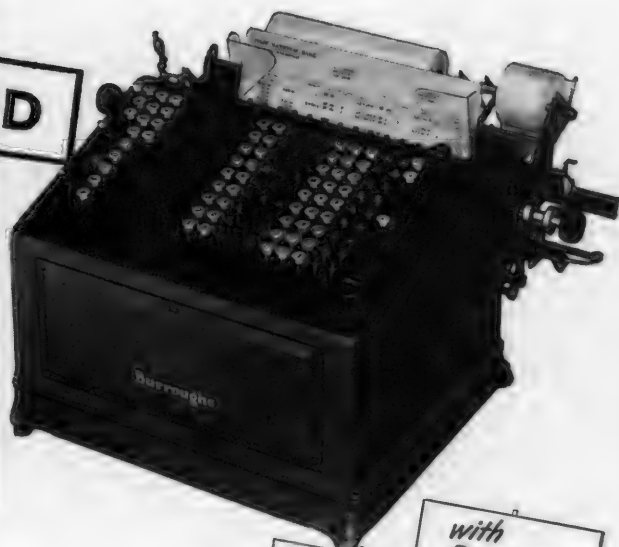
l...

co Buffalo, Palm Beach



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"easier
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IN PALM BEACH . . . The First National Bank "wouldn't think of using any other bookkeeping machine than Burroughs." The bank's three latest models have given the department that "new look" with a "big lift" in efficiency. With faster form handling, visible form headings and alignment, the new Burroughs is an average of 16 per cent faster on ledger and statement production. Greater ease and simplicity of operation, maximum use of automatic controls, and "feather touch" motor bars materially reduce physical exertion required to operate the new Burroughs.



Bankers all over America write to tell us how this new Burroughs has speeded up bookkeeping, conserved effort, and improved accuracy—benefits that mean dollars and cents saved every day.

The new Burroughs bank bookkeeping machine is designed and built to meet modern banking's need for greater efficiency. The many carefully designed features that have

put this machine way out in front in acceptance among banks are the direct reflection of bankers' recommendations and needs.

Burroughs, with its skilled and experienced technicians, can show you how *your* bank can profit by the improved bookkeeping operation possible with this great new machine. Call your Burroughs man now, or write Burroughs Adding Machine Company, Detroit 32, Mich.

WHEREVER THERE'S BUSINESS THERE'S **Burroughs**

Is Business Appeasing Socialism?

(CONTINUED FROM PAGE 54)

Probably no management faces greater problems today than do the heads of the rubber companies. In this industry, labor has always been a thorny problem. No business comes under more government controls. Yet the managers are unanimously confident that they can solve their problems.

E. J. Thomas, president of the Goodyear Tire & Rubber Company, grants that businessmen generally are concerned by the increasingly unfriendly atmosphere in which they must operate. Among these he cites trends toward socialism and inflation, the uncertainty as to foreign policy, the too prevalent contempt for sound economic law, and the high-handed arrogance of politically pampered labor bosses.

He adds: "Some businessmen are, in fact, heading for the storm cellar. But I believe the defeatist businessman is still the exception, rather than the rule."

A "Test"

John L. Collyer, president of the B. F. Goodrich Company, speaks out in a similar vein. "Granting that our nation and its people face grim and difficult problems," he says, "it is my sincere conviction that competitive enterprise in America will withstand today's challenges, from within and from without, and emerge strengthened from the test."

H. E. Humphreys, Jr., president of the U. S. Rubber Company, says: "I hope we no longer look upon government and labor as groups we have to cope with. They are groups we must earnestly cooperate with in the best interests of the overall national economy."

Airline and aviation manufacturing executives are facing with courage the obstacles that confront them. R. S. Damon, president of Trans World Airlines, Inc., violently disagrees with the findings of the broker on his tour. He says that labor, while still very demanding, is becoming more mature—"more so than the newer bureaucrats in government."

W. A. Patterson, president of United Air Lines, concedes that these are difficult days for manage-

ment. But he adds: "So far as I am concerned, the conditions serve as an incentive to work harder toward combating the destructive elements and still provide an atmosphere of harmony and understanding. Private enterprise will end only when management stops thinking or surrenders. This cannot happen."

C. R. Smith, president of American Airlines, and R. T. Hurley, president of Curtiss-Wright Corporation, urge businessmen to spend more time with government.

Washington Attitude

Mr. Smith explains that he has spent more time working in Washington than in complaining about what Washington is doing to his business. "For my money," he says, "the general attitude in Washington toward business is better than it was some years ago. There is a good chance there will be further improvement."

Mr. Hurley says that in many respects the businessman is responsible for the conditions that confront him. "If 10 percent of industrial executives would give 1 or 2 percent of their time to the Government," he contends, "considerable improvement could be effected. Instead, industry and industrial

executives are inclined to say: 'I want no part of government—I want to be left alone.' We cannot indulge in such a luxury as this attitude reflects. If we are to have a good government, and if we are to preserve our way of life, industry and executives must take an active interest in government."

Executives of food companies profess their faith. Leslie N. Perrin, president of General Mills, Inc., says businessmen will continue to make their contributions, along with labor and government, to the nation's forward progress.

L. A. Van Bomel, president of National Dairy Products Corporation, states: "We are going through a travail which will lead to a finer tomorrow, even though today is a bit dismal. I'm hell-bent on destroying anything which would change this prospect."

"Valley Forge"

Adrien J. Falk, president of S & W Fine Foods, Inc., contributes this thought: "Perhaps this period is the Valley Forge for American business. Because it is so basically sound, tough and constructive, it will survive."

Austin S. Igleheart, president of General Foods, says: "In my opinion, business is doing its job."

Eugene Holman, president of the Standard Oil Company of New Jersey, T. S. Petersen, president of the Standard Oil Company of California, J. N. Pew, Jr., chairman of the Sun Oil Company, and Reese H. Taylor, president of the Union Oil Company of California, all agree there are no broken backs in industry. They all exhibit a real faith in the country.

Mr. Holman emphasizes that he is not pessimistic about the nation's ability to solve its economic problems. Mr. Petersen says the average businessman will take things as they come and fight back for the things he thinks are right. Mr. Pew finds government arrogant at times, but he describes labor as a most effective part of the team.

Mr. Taylor agrees that the businessman faces problems today, but he asks: "When has he not faced serious problems?" and adds: "To assume that the businessman is ready to quit simply because he faces difficult problems seems to me to represent a misunderstanding of the nature of management. It is



"Deposit this quarter in my savings account, Tenderfoot. I just sold 10,000 head of steer!"

management's business to overcome obstacles and solve problems."

With one exception, public utility company management is confident. Leroy A. Wilson, president of the American Telephone & Telegraph Company, says: "We in the Bell System have not been working on the basis that it will be impossible to cope with problems. The system has not added 14,000,000 telephones, raised four and a half billion dollars of new capital, and made a vast improvement in its service during these postwar years because it was either unwilling or unable to meet great difficulties. The problems have become more exacting and more numerous, certainly, but I am certain that we are going to continue to deal with them successfully and that the backbone isn't going to break."

One Exception

The exception in the public utility field is W. C. Mullendore, president of the Southern California Edison Company, a hard-hitting executive who is unafraid to say what he thinks. He says that the average businessman has compromised so long and so often with what he knew to be right that he has lost his capacity for sound judgment.

Mr. Mullendore contends that when, during the first 100 days of the New Deal, business managers endorsed NRA, they started down the road of compromise. They opposed only mildly the Government's repudiation of the gold clause, the abandonment of the gold standard, the TVA, the Wagner Act, the AAA and "a score of other New Deal and Fair Deal acts that undermined the constitution and to a large degree destroyed the foundations of all American business. Particularly since VJ Day, the business manager has been seduced by inflation, and has rationalized his desire to believe in the phony prosperity which inflation has brought."

William E. Umstattd, president of the Timken Roller Bearing Company, agrees. He says that most businesses are suffering from the broken backbones of their executives. But he insists that the man-

A person who keeps tooting his own horn at least warns others to avoid him.

agement of his own company and a few others are exceptions. He fears America may be moving down the same road to socialization that England has taken.

J. R. Millar, president of the National Automotive Fibres Company, also agrees on the pessimistic view.

Asked to comment on the statements of business leaders who disagreed with his findings, the broker, Hubert J. Soher, research partner in the New York Stock Exchange firm of Walston, Hoffman and Goodwin, says that his use of the phrase "broken backbone" was a figure of

speech. He explains that he might better have said: "Many businessmen no longer have the courage to fight inflation, but choose to appease labor by raising wages and prices and therein force the consumer to reduce his standard of living."

He may well turn out to be correct, up to a point at least. But certainly any implication that the American businessman is definitely and irretrievably licked is refuted by the expressions of faith from top management in the nation's industries. (END)

for all your Banking needs... in the market that keeps on GROWING



CANADA'S vigorous growth as a market for both domestic and imported products, is one of the most significant facts in today's business picture. Ask The Bank of Nova Scotia about the banking angle of Canada's "market that keeps on growing". Many firms, import, export and domestic, have asked us. They've found complete BN's banking service (through more than 380 offices in Canada and abroad) of profitable assistance. You will too.

Write to:

General Office, Toronto, Ont.
New York Office, 49 Wall St.
London Office, 108 Old Broad St., E.C.2



Methods and Ideas

(CONTINUED FROM PAGE 40)

The smaller ticket, for the pay-as-you-go account, is the size of a pocket check. It has fewer lines, which aids in checking to see whether the account has too much activity. If so, the customer is requested to transfer to a regular account where activity is charged for.

Assistant Vice-president David E. Graham reports that the tickets have been in use for several months. There was no negative customer reaction when they were introduced. Sample tickets, properly marked, were sent out with the customer statements.

Time is saved in the bank's book-keeping department by using printed figures, thus eliminating errors frequently caused by poorly written figures. Also, sorting is much faster.

Convenience, Simplicity

The IDAHO FIRST NATIONAL BANK, Boise, reports that convenience and simplicity are major goals in its remodeling and new building program.

"We try to keep our general layouts on the simplest basis possible," says Cashier E. C. Underhill. In "doing over" the head office and building new branches at Kellogg and Eagle, interior finish was standard-

CONVENIENCE CHECKING ACCOUNT DEPOSIT FOR CREDIT OF		DOLLARS		CENTS
PLEASE PRINT NAME OF ACCOUNT IN FULL				
IN				
FAIR LAWN-RADBURN TRUST COMPANY				
FAIR LAWN, NEW JERSEY				
19				
CURRENCY				
SILVER CHECKS				
LIST BANK TRANSIT NO.				
1.				
2.				
3.				
4.				
TOTAL \$				
SEE THAT ALL CHECKS AND DRAFTS ARE ENDORSED				

This is the deposit slip for pay-as-you-go checking accounts

ized, and the same color scheme will be used as changes are made in other buildings.

The remodeling of the bank's headquarters was primarily the construction of a mezzanine to house several departments—an arrangement that has proved to be "very convenient." Tellers' counters (set in a straight line) and the commercial banking department are under the mezzanine.

Good Staff Relations

THE COMMERCIAL NATIONAL BANK of Peoria, Illinois, scattered pictures of individual employees through a recent condition statement, and paid tribute to the staff in two pages of text. The statement figures, it said, didn't show one of the bank's best assets, the personnel.

The employees, it continued, were on the staff for two reasons: "they are interested in and enjoy banking" and "they desire to be associated with a strong and successful organization, which is interested in them as individuals."

The leaflet listed the benefits accruing to the 158 persons employed by the bank and concluded by saying that it believed its "sound personnel policy will continue to attract the highest type of individual to our staff."

Guessing Contests Attract Crowds to Bank Booths

A GUESSING contest seems to be a sure attention-getter for bank booths at fairs and exhibitions. Also, it's a good way to build or supplement the mailing list.

THE NATIONAL CHAUTAUQUA COUNTY BANK of Jamestown, New York, featured, at a home show, a small plastic house containing coins, and visitors were told that the holder of the lucky entry card would get the contents, which proved to be \$38.63. Vice-president John J. DeVillars reports that 1,426 persons entered the contest.

THE FIRST NATIONAL BANK of EASTHAMPTON, Massachusetts, awarded a Defense Bond to the best guesser who registered for its "How Much Money Is in the Jug?" contest at an industrial fair. The winner's estimate, \$65.75, was seven cents less than the correct amount. Cashier H. J. Hatch says the guessing was "quite an attraction." This bank also displayed old money.

Hawaii Banks Aid Bond Program

THE AMERICAN SECURITY BANK of Honolulu sponsored a U. S. Defense Bond booth at the 49th State

(CONTINUED ON PAGE 94)

The U. S. Naval Hospital at Chelsea, Massachusetts, and the National Shawmut Bank of Boston cooperated to present, in the lobby of the bank's Park Square office during Armed Forces Week, this exhibit of a complete naval operating room. Mannequins depicted the nurse, surgeon, anesthetist, surgeon's aide and patient. Looking at the display are Shawmut Vice-president Frederick A. Ritchie, Lt. (j.g.) Mary Rose Cushing, Jake Heil HM 3/c from the hospital who explained the exhibit to the public. The display was floodlighted at night and was visible from the street





These 10 keys open the way to greater posting efficiency

The modern way to post
depositors' checking accounts
is with the **UNDERWOOD SUNDSTRAND**
Bank Model Accounting Machine

More work . . . in less time . . . with less effort . . .
that's a thumbnail description of results after you
install Underwood Sundstrand.

Management likes it because greater efficiency
means lower costs; higher profits.

Employees like it because the Underwood
Sundstrand Bank Model Accounting Machine is so
easy to use.

One big reason for this approval is the conven-
ient 10-key keyboard. *This is the simplest keyboard
ever devised for an accounting machine.*

Underwood Corporation

Accounting Machines . . . Adding Machines . . .
Typewriters . . . Carbon Paper . . . Ribbons

New York 16, N. Y.
One Park Avenue

Underwood Limited, Toronto 1, Canada

Sales and Service Everywhere

Fast, accurate, touch-operated . . . this logically
arranged 10-key keyboard adds speed to an oper-
ator's job . . . while it cuts tiresome head-swing,
and its attendant errors.

Available with or without the Automatic Check
Count Feature, this Underwood Sundstrand model
can be applied to the Single or Dual plan of post-
ing checking accounts.

Get the whole story on the Underwood
Sundstrand Bank Model. Our new folder, "The
Modern Way" gives full details. The coupon will
bring you your copy. Mail it today.

UNDERWOOD CORPORATION
One Park Ave., New York 16, N. Y.

Gentlemen:

Please send me your folder on the new Underwood
Sundstrand Bank Model Accounting Machine for post-
ing Depositors' Checking Accounts. B-7-51

Bank _____

Your Name _____

Address _____

City _____

Zone _____ State _____

(CONTINUED FROM PAGE 92)

Fair, a project of the Junior Chamber of Commerce. More than 15,000 folders and pamphlets were distributed.

L. M. Olney, Hawaii director of the Treasury's U. S. Savings Bond Division, says the cooperation of the Island banks in the bond program has been outstanding.

"E" sales during the first four months of this year increased \$102,000 over the same period of 1950. At the end of April 57,576 employees of 142 Hawaiian companies were in the Payroll Savings Plan.



Honolulu bank's bond booth

In Brief

REPUBLIC NATIONAL BANK of Dallas is sending its friends membership cards in Republic Bank Chapter of the "Society for the Promotion and Encouragement of More and Better Sidewalk Engineers"—SPEMBSE, for short. With the card is a letter from President Fred F. Florence expressing a hope that the recipient will visit, as often as possible, the bank's building project where a special gallery has been erected for the sidewalk engineers. The bank's new home will be 600 feet high—40 floors, including four basement levels.

THE DIME SAVINGS BANK OF BROOKLYN, New York, has enlarged and redesigned its display of houses and apartments constructed by more than 75 Long Island builders. The display, now in its third year, is housed in the bank. Known as the Library of Homes and Home Buyers Exhibition, it is sponsored jointly by the bank and the Long Island Home Builders Institute.

THE FARMERS & MERCHANTS STATE BANK of Tulsa, Oklahoma, provides for the customers in the lobby of its new home a large wall—
(CONTINUED ON PAGE 96)

Municipal Bonds

Trends and outlook—mid-year 1951



THE TAX-FREE STATUS of municipal bond interest—always a desirable feature—under high taxation today has gained new significance for a widening field of investors. Increased activity has enhanced the marketability of these issues and a substantial volume of offerings has created added investment opportunities in them.

❑ Our new Mid-Year Survey discusses these facts and presents timely information for every type of investor. It looks into the market and examines supply, demand, volume and price trends.

❑ Send for this timely, up-to-date Mid-Year Survey and our tax chart that helps you determine the value of federal tax exemption in your income bracket. They are available without cost or obligation. Use the attached request form.

HALSEY, STUART & CO. INC.

123 SOUTH LA SALLE STREET, CHICAGO 90 • 35 WALL STREET, NEW YORK 5
AND OTHER PRINCIPAL CITIES

HALSEY, STUART & CO. INC.
123 S. La Salle Street, Chicago 90, Illinois

Gentlemen: Please send me, without cost or obligation, 1951 "Mid-Year Survey of the Municipal Bond Market" and tax chart.

Name _____

Address _____

City _____

State _____

*Mid-Year Survey
of
The Municipal Bond
Market
JULY 1951*

The North Side Savings Bank, New York, used this Fourth of July poster as seasonal promotion. "Tweets," the model cat, has figured in a series of "Thrifty Kitty" advertisements sponsored by the bank. The copy angle here was suggested by Tweets' resemblance to a July 4 orator declaiming, this time, on a thrift theme



Thrifty Kitty Says:

My friends, let me remind you that deposits made up to and including July 10th will draw interest from the 1st.

“we get action at
Philadelphia National
... you will too!”



“Our bank isn’t a big one
... but those fellows at
Philadelphia National understand
that good banking service
is as important to the smaller
communities as it is to
the larger cities. The way
they cooperate with us proves it.”

**THE PHILADELPHIA
NATIONAL BANK**

PHILADELPHIA 1, PA.

Established 1803

Member Federal Deposit Insurance Corporation

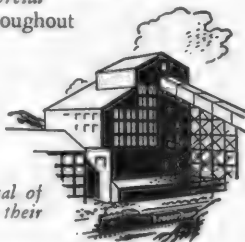
*The Number One Bank in Philadelphia
in more ways than one!*

Canada's "Frontiers" Go Miles Underground

Billions of new Canadian wealth are now tapped far below ground—titanium in Quebec—iron in Labrador and Ontario—copper and nickel in Ontario and Manitoba—lead and zinc in British Columbia—oil in Western Canada.

If you are interested in current Canadian developments, write for our monthly *Commercial Letter*. With 600 branches throughout Canada we can also provide dependable information on the products, markets and opportunities which Canada offers to U. S. businessmen.

These facilities are at the disposal of American banks in behalf of their customers.



**The Canadian Bank
of Commerce**

HEAD OFFICE: TORONTO

New York • San Francisco • Los Angeles • Seattle • Portland, Ore.
and nearly 600 Canadian branches

The Bank does not advise on the merits of oil or mining securities.

LET'S DRESS UP THE IMPRINTING

This month we swing the spotlight on that much neglected area of the bank check known as the "northwest corner." As you know, this space is reserved for the customer's imprint, and it seldom receives the attention it deserves.

Without hinting that the bank check be turned into a billboard, we submit that the customer's business card, if confined to the specific area referred to, could be more attractively displayed with the addition of a well-designed cut and a better printing arrangement.

The bank check is perhaps the most important instrument used in business and, since it circulates widely, it should creditably reflect the character of the user as well as the bank, especially if the user pays for it. More care, therefore, should be exercised in the imprinting, and to this end we are focusing more on this part of check manufacture.

To emphasize the significance of this program we direct your attention to our current catalog, now in the possession of all banks, in which you will see the comparison between the imprinting on the top check and the dressed-up imprinting on the bottom check. The extra cost amounts to sixty-five cents regardless of the size of the order, and in our opinion it would be money well spent.

Inasmuch as the average cut owned by the customer is not too satisfactory because as a rule it is not precision-built, we are gradually accumulating a selection of top-grade electrotypes that print accurately and are attractive in appearance. Some of these are displayed on page 35 of our catalog and the selection is being expanded and improved all the time. Show them to your customers. We think they will like them.



Manufacturing Plants at:

NEW YORK, PAOLI, CLEVELAND, CHICAGO, KANSAS CITY, ST. PAUL



After the eighth graders of Cedarhurst, N. Y., had made a "Come and See" tour of the Peninsula National Bank they went back to their classrooms and wrote essays on "Why I Should Save Money" for \$10 and \$5 savings account prizes. Here are Judy Novack and Arnold Beiles, the winners, with their passbooks and prize coin banks

(CONTINUED FROM PAGE 94)

nut table, comfortable chairs and a public telephone. Cashier O. K. Goolsby reports that these conveniences are "very popular."

THE BOWERY SAVINGS BANK of New York has published a report on the Federal Social Security Act, including the 1950 amendments. The booklet, "Old Age and Social Security," also takes a look at the future operation of the program, particularly in respect to retirement benefits.

The CARBON EMERY BANK of Price, Utah, carried along its program of boosting local or area products with a lobby exhibit based on the activities of the Geneva Steel Company and its subsidiary mining companies.

END

Special Checking Account Idea

NORTHWESTERN NATIONAL BANK of Minneapolis gives its special checking account customers free checks for making deposits in their savings accounts. Thus a customer can write a "thrift" check without incurring a 10-cent charge. When he makes a deposit with the free check from his book, the teller gives him a replacement.

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2 Send me Booklet 7-X—"Now We Really Get Things Done!"

3 Name.....

4 Title..... Firm.....

5 Street..... City.....



Government Bonds

(CONTINUED FROM PAGE 37)

1946 and 1950 in the following brief tabulation:

Member Banks	(000,000 omitted)	
	1946	1949
Total earnings from loans & securities	\$1,974	\$2,689
% of total from U. S. Govt. securities	53 1/2 %	32 %
% of total from other securities	7 1/2 %	7 %
% of total from loans	39 %	61 %

Earnings from Government securities in 1950 produced less than one-third of the total instead of over one-half as in 1946. Earnings from loans accounted for over three-

fourths of the total in 1950 compared with less than two-fifths in 1946. Although the total holdings of other securities rose sharply over the period, the percentage of earnings produced remained about the same.

But for the rise in the rate of return on Government securities, the comparison would have been even more striking. For example, during 1950 over \$4,500,000,000 Government securities were sold, but the dollars received from Government securities rose from \$859,000,000 in 1949 to \$865,000,000 in 1950. The amount of loans rose

nearly \$8,500,000,000 and the income from loans increased from \$1,427,000,000 in 1949 to \$1,634,000,000 in 1950.

In spite of a sharp rise in total expenses and taxes, net profits rose from \$686,000,000 in 1949 to \$781,000,000 in 1950—less than half of which were paid out in dividends.

We cite these figures because there are signs that the trend of the past four years may be ending. Every effort is being made to restrict a further increase in loans. The computed annual interest rate on interest bearing debt of the Government has risen from slightly below 2 percent in 1946 to almost 2 1/4 percent. It is not likely to increase further. At present the emphasis is on the value of Government issues to banks as secondary reserves, but their value as income producers may again be of greater importance before long.

Treasury Budget and Cash

Heavy charges totaling over \$750,000,000 on May 31 resulted in a budget deficit for May of \$1,370,000,000—over double what it was for May last year. For the fiscal year the surplus fell below \$2,500,000,000, but the working balance (the general fund less \$1,000,000,000 gold) of the Treasury was still over \$4,750,000,000.

The month of June ordinarily produces a slight surplus. Receipts from both income and excise taxes may be nearly double those of a year ago, but the daily rate of expense for military purposes is steadily increasing. The only forecast is that of Secretary Snyder who still expects that the surplus for the full fiscal year will be over \$3-billion. If that proves to be the case, then the working balance on June 30 should be over \$5-billion and justifies the Secretary's statement that no deficit financing would be needed before June 30.

After that, the prospect is for substantial deficits in July and August. Making a sheer guess, we would not be surprised to see an increase in the amount of weekly Treasury bill offerings after July 1 as the first step in deficit financing.

Egotism is what makes some people able to live with themselves.

THE KERR CHANGEPOINT STORY:

**Complete Your Good Banking Service . . .
with KERR PENS!—PERPETUAL CALENDARS!**



For added convenience and customer service, standardize on beautifully designed Kerr Changepoint Fountain Pens and Perpetual Calendars. Their outstanding performance gives better customer service; brings a saving to you. Kerr Pens and Calendars can "take it"—look better, last longer . . . proven by use in thousands of banks everywhere for years.

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Write for illustrations and prices.

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Here's the new way – the efficient way – to post savings passbooks and ledgers



the **Burroughs Sensimatic** accounting machine

A *new* machine, that brings new speed and simplicity to savings window posting.

A *flexible* machine—directed by a mechanical brain — that handles both Unit and Dual plans of posting.

An *automatic* machine, that reduces posting operations . . . increases tellers' efficiency . . . provides peak performance at moderate cost.

The Burroughs Sensimatic is *completely new, flexible, automatic* . . . It can save you time, work and expense in your savings department . . . and it costs surprisingly little to own.

Call your Burroughs office for a demonstration today. Burroughs Adding Machine Company, Detroit 32, Michigan.

WHEREVER THERE'S BUSINESS THERE'S

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Sensimatic features that simplify, speed, and save

Direct, visible alignment permits faster, more accurate form handling

One-time alignment with no rehandling of forms to complete a single entry posting

Standard keyboard with easy key and motor bar depression for rapid and accurate listing of amounts

Simplified motor bar selection for easier, more accurate operation . . . uses only a single motor bar for each type of transaction

Automatic balances for increased speed and accuracy

Teller lock and locked control key for greater protection

World Business

(CONTINUED FROM PAGE 53)
which otherwise we would have to supply or else see European economies deteriorate.

GERMAN DEBT SETTLEMENT SOUGHT

Holders of German external debts, including trade debts, will be benefited by obtaining the State Department's press release 429 of May 24. This includes texts of the tripartite (U. S., UK and France) announce-

ment of the procedure proposed to the German Government for determining the Federal Government's financial responsibilities on prewar and postwar accounts as also its ability to pay. Allied claims for postwar economic aid will be modified as to priority over prewar claims. Postwar governmental claims will not have priority over postwar trade claims. Full consultations with Bonn are scheduled for September. Most important factor in the settlements will be Germany's ability to pay in foreign exchange.

provision being envisaged for increased debt service as Germany's capacity to pay grows. Strengthening of the Federal Government's credit is a chief purpose of the proposed settlements.

North of the Border

C. M. SHORT

The author is a leading Canadian economist, banker, and journalist.

In writing to BANKING recently he spoke of "Canadian business conditions, which are nothing like as good as one of your leading U. S. business publications made out recently. This country is actually going through a rather difficult transition period."

MIXED trends have become quite widely known in several fields of Canadian business activity. Industrial production has continued to increase, though at a slower pace than in the earlier part of the year and mainly because of quite marked gains in the heavy iron and steel trades, the automotive industries, and the forestry section. Several other industrial groups have barely maintained their operations at previous levels and a few have had to cut back slightly. Further advances may be expected in pulp and paper, lumber, primary iron and steel and other nonferrous mineral products. Steel mills are turning out about 10 percent more than a year ago and may be able to do even better in the future. An agreement between a large group of paper mills in Ontario and their unions to operate seven days a week will add something to newsprint production, while constant all-round efforts to improve technical methods should also result in a higher output—in all, an increase of nearly 200,000 tons to about 5½ million tons for the current year.

Practically all of this increase in newsprint is destined for Europe, and particularly for France and Britain. This commodity is costing more to make, as well as to use, but the lowest price for it is in the U. S. In Canada prices are 10 percent higher, owing to a sales tax.

(CONTINUED ON PAGE 102)

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114 DAILY MAIL FLIGHTS
Day and Night Transit

TRANSIT CROSSROADS OF THE NATION...
IN THE HEART OF AMERICA

128 DAILY MAIL TRAINS

Commerce Trust Company
Capital Funds Exceed 25 Million Dollars
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Established 1865
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

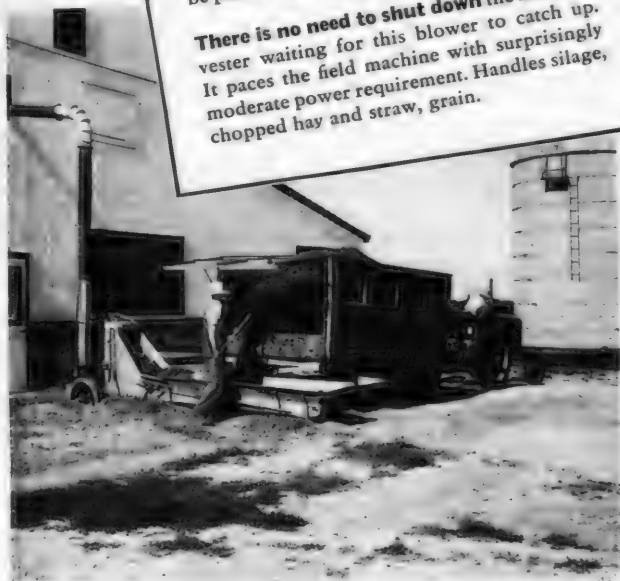
MORE ITEMS SENT DIRECT THAN ANY BANK IN THE UNITED STATES

Business that Belongs to Local Banks



"The simplest field forage harvester built," farmers say of the Case. Simple construction means efficient operation, low upkeep expense with fewer things to go wrong. May be pulled and powered by 2 to 5-plow tractor.

There is no need to shut down the field harvester waiting for this blower to catch up. It paces the field machine with surprisingly moderate power requirement. Handles silage, chopped hay and straw, grain.



● The more days a machine is used each year, the lower its cost of ownership. With today's emphasis wisely on soil-building grass and legumes, low-cost forage harvesting is increasingly important. For the owner of a Case Field Forage Harvester, one base machine and three interchangeable units gather, chop, and load all kinds of forage—standing or windrowed—green, wilted or cured. Hence there is work for the machine throughout practically the entire growing season.

Because the Case Field Forage Harvester can be used through so many months every year—because it slashes forage harvesting costs—because it provides lucrative cash custom work for its owner—because it lasts for years with little upkeep expense—the Case Field Forage Harvester is a splendid investment.

The financing of this and other high-producing farm machines is, Case firmly believes, business that rightfully belongs to local banks. J. I. Case Co., Racine, Wis.

CASE



SERVING FARMERS SINCE 1842

(CONTINUED FROM PAGE 100)

Immediately, Canadian nickel production is being boosted by the opening of a huge new 9,000-ton concentrator constructed by International Nickel Company, which has enabled the company to revolutionize its underground mining methods and lengthen the life of the mines by many years. New techniques have made it possible for the company to utilize much lower grade ores and, as a consequence, develop many stopes which had heretofore been considered uneconomical to operate. The concentrate is piped to the Copper Cliff smelter through pipes on a

high overhead trestle. This, in itself, is a unique development in mining methods.

The reasons for spotty industrial and domestic trade conditions are mainly that defense production has lagged; that civilian industry has felt the after-effects of the "scare buying" resulting from the Korean affair and of higher Federal taxes; and that the Canadian public has become more price conscious. This public, while not expecting anything like the price war which developed in the United States, anticipates bargains in surplus merchandise lines.

The lag in defense production is due partly to slow organization and partly to small armament orders from other countries, including the United States. Western Europe has taken little or no advantage of Canada's offer to supply it with \$300,000,000 in armament, while American orders are still much smaller than those Canada has placed in the United States for military equipment. The total of all products and services this year is now about \$19-billion. Defense estimates for the current fiscal year call for about \$720,000,000 for major procurement of equipment, plus approximately \$376,000,000 for materials and supplies. Commitments so far this year for equipment, materials, and supplies for the services will be five times greater than the previous year.

It is, however, part of the Canadian preparedness program to develop many new sources of hydro-electric power and raw materials, this involving expenditures of over \$1-billion per year during the next few years, mostly with private capital. These projects include a new aluminum plant in British Columbia, a new nickel mine in Northern Manitoba, a new copper-zinc mine in North Western Quebec and many new chemical industries, including some for the production of sulphur. It is also intended that Canada develop hydro-electric power on the St. Lawrence River regardless of whether the United States joins in this new project.

LEVEL-UP Your Time Payments with ALLISON'S NEW PAYMENT COUPON BOOK

An increase of 30% in LEVEL payments was reported by Mr. E. L. Moffett, writing in "Time Sales Financing." He is using Allison's NEW Coupon Books, which accentuates Perforations. "We find" he writes "that having the exact amount of payment on each coupon has a marked effect on the percentage of exactly level payments received. After the system had been in operation for six months it was found that the average percentage of exact payments was 91 per cent as compared to 70 per cent prior to the use of coupons."

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Immediate profits, proven in so many cases, are so great that it is unwise to delay learning all about the NEW Improved payment book. Write for samples and full information. No obligation. No cost.

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- Increased Accuracy
- Reduces Posting Time

SAFeway STORES INCORPORATED



Preferred and Common Stock Dividends

The Board of Directors of Safeway Stores, Incorporated, on June 7, 1951, declared quarterly dividends on the Company's \$5.00 par value Common Stock and 4% Preferred Stock.

The dividend on the Common Stock is at the rate of 60¢ per share, and is payable July 1, 1951 to stockholders of record at the close of business June 19, 1951.

The Dividend on the 4% Preferred Stock is at the rate of \$1.00 per share and is payable July 1, 1951 to stockholders of record at the close of business June 19, 1951.

MILTON L. SELBY, Secretary.

June 7, 1951.



Locks and Builders' Hardware
Material Handling
Equipment

YALE & TOWNE

250th Consecutive Dividend
Since 1899

On May 24, 1951, dividend No. 250 of fifty cents (50¢) per share was declared by the Board of Directors out of past earnings, payable on July 2, 1951, to stockholders of record at the close of business June 5, 1951.

F. DUNNING
Executive Vice-President and Secretary

THE YALE & TOWNE MFG. CO.

Do Your Directors
Read
BANKING?

"My account is messed up again. Now, if you'll just figure it out and close it for me, and then perhaps open a new account . . ."



Washington

(CONTINUED FROM PAGE 35)

tee of the Senate Banking Committee, advocated postponement of legislation calling for higher reserves until VCR had an opportunity "to demonstrate its effectiveness."

Senator Robertson said that the chairman of the Banking Committee concurred in his view, which the Virginia Senator had communicated to the chairman of the Reserve Board. This became, in fact, an invitation to the Board to postpone requesting higher standby reserve requirements until later in the year, at least, notwithstanding the Wilson Report.

Even if the Reserve Board declines this invitation and does soon seek higher standby reserves, there is still no intention of calling those reserves into actual being, it is believed, until monetization of the Federal debt resumes. Circumstances prevailing at the time of decision, perhaps later this year, will determine whether higher reserves are, in the opinion of officials, desirable considering all the problems of the time.

(2) This report clarified Administration intentions with respect to the "club in the closet" approach toward credit control. This "club" was the idea hinted in the President's February 26 memorandum, that the Banking Act of 1933 be utilized to limit or ration credit extended by member banks, and the Trading with the Enemy Act with respect to nonmembers.

As previously reported in BANKING, the former majority Administration view was that if some dire emergency later called for heroic bank credit control measures, the Administration would later expressly request such power in a new

statute and would not resort to an old statute framed in the light of entirely different circumstances.

What the Wilson Committee has changed in this respect is to state, in effect, that if an all-out or other grave emergency arises, the two old statutes will be used as a basis for drastic regulation, and Point 10 thus becomes, as it were, public notice to this effect.

On the other hand, the same point also is notice that the intention is to refrain from using the Banking Act of 1933 or the Trading with the Enemy Act to limit and ration bank credit during any limited emergency in any way resembling the present outlook.

(3) Inferentially, the Wilson Committee has probably given an endorsement to the Federal Reserve System's conduct of Open Market operations since the pegs were dropped. The inference arises from the fact that one of the two commissions of the Wilson Committee was to devise a plan for maintenance of a stable market for Governments. Inasmuch as the recommendations skipped this subject, the omission is perhaps an indication of tacit approval.

(4) Finally, as aforementioned, the report's recommendations were the strongest kind of an endorsement of VCR.

Government's Own Lending

It may work out that the application of restricted lending to Government-sponsored lending activities, such as the Export-Import Bank and the production credit associations, may be worked out by an informal word to such agencies.

In other words, there may not be issued a formal order commanding Government-sponsored or aided lending agencies to square their operations with the principles of

VCR, as was reported last month in BANKING.

Already it is understood, however, the President has acted quickly to call upon these various agencies to apply the principles of VCR to their activities.

Mr. Snyder's Anniversary

On June 25, John W. Snyder completes his fifth year as Secretary of the Treasury. At the end of this month he will have presided as chief officer of the Treasury for five fiscal years.

His statistical and official record is formidable. During three of those five years the Treasury had a surplus. During two of the years there was a deficit. For the five years as an entirety, however, the aggregate surplus will total not less than \$7.3 billions, perhaps a little more.

Mr. Snyder's record as an administrator is no less impressive, if more difficult to detail. He has constantly pried into the management of the Treasury, continuously sought to shortcut and simplify administrative procedures. Most of these procedural reforms are drab—even though they saved tens of millions in governmental overhead—something not, after all, so drab.

In general, the present Secretary of the Treasury is rated widely as a capable technician in the financial business of the Government during an extremely difficult period. First he had to cope with the United States' own postwar reconstruction era, and the transition from a booming war to a more stable postwar regimen.

Then he had to cope with world reconstruction—the World Bank, the Monetary Fund, ECA, the great currency devaluation episode of September 1949.

Finally, he has had to cope with the military and foreign military assistance program which followed the unleashing of a Red military attack in Korea.

During all this time, Mr. Snyder has been ruled by the basic philosophy of a local banker, who saw the personal income, business, and family financial problems of his customers as problems of the highest importance.

That is because John Snyder is still a local banker, in make-up, and one day probably will return to the banking field.

Mr. Snyder will be known to

If you want to see—

(1) The text of the RFC instructions to agency managers, telling them the principles to be followed in RFC lending, write to the Reconstruction Finance Corporation, Washington 25, D. C., for *Loan Agency Bulletin No. 2101*.

(2) An explanation of the changes proposed by Senator Fulbright in the permanent RFC law, write to Senator J. William Fulbright, U. S. Senate, Washington, D. C., and ask for his statement entitled, *Revision of the RFC Act*.

(3) The Wilson Report, write to the White House, Washington 25, D. C.

bankers, however, less for the formal aspect of his service, with its statistical results, than for his principles.

He has never deviated from one of his basic concepts, pronounced from the South steps of the Treasury when he took his oath of office as Secretary of the Treasury on June 25, 1946.

This principle is that the Federal Government should always collect enough taxes to pay for its expenses and leave something over. He has consistently fought for adequate taxation, no matter how unpopular was his plea.

He stood for other principles as well.

Mr. Snyder has been the constant champion of thrift. Whilst ceaselessly promoting the sale of E Bonds, he has always emphasized that thrift is the basic target.

He has always favored a reduction in Government expenditures, although obviously, as Secretary of the Treasury, his only direct control has been over the Treasury expenditures. But his influence, even if not advertised in public and even though often overruled by a chorus of other voices demanding easy-handed expenditures, has been for economy.

Finally, Mr. Snyder has consistently sought to influence—and with remarkable success—the shift in holdings of Government bonds from bank to nonbank ownership so as to diminish the inflationary potential of the bank holdings.

Secretary Snyder's principles, however, go beyond a set repertoire. He has opposed political management of RFC, purely political meddling with bank reserves, and has asserted a basic attitude of the approach of principle on a dozen public issues.

RFC Operations

Whether or not Congress passes any legislation modifying the lending activities of the Reconstruction Finance Corporation, that agency will operate hereafter with its activities distinctly curtailed.

This was achieved when W. Stuart Symington, who became the single Administrator of RFC in place of the former 5-man bi-partisan board, by virtue of the President's Executive Reorganization plan, announced instructions to guide the (regional) RFC Loan Agencies.

These broad policies were written by Mr. Symington in consultation with the Secretary of the Treasury, John W. Snyder, and the Secretary of Commerce, Charles Sawyer. The trio constituted the RFC's Loan Policy Board under the reorganization order.

It was provided that loans must be made in the "public interest" only. One test of whether public interest is served is whether a prospective borrower has a tax amortization certificate issued as a part of a defense production program. Another test is whether the prospective borrower has a defense contract. Other tests of public interest are parallel with those of the VCR program.

New rules require that applicants must, in most cases, make a showing that not one, but more than one bank, has refused the credit before the application will be eligible for consideration.

Borrowers will be asked why it would not be practical to dispose of some of their marketable assets instead of obtaining loans.

Finally, RFC is forbidden to make loans to lending institutions. Loans primarily to "bail out" such lending institutions are likewise seemingly ruled out.

The new regulation guiding RFC Loan Agencies, however, imposes no dollar ceiling on the eligibility of RFC loans, such as proposed by the A.B.A. in testimony before the Senate Banking Committee on the subject of legislation modifying the

agency's activities. It was suggested by the A.B.A. that RFC's participation in any one loan be limited to \$100,000.

The A.B.A. also suggested that henceforth the RFC should make no further direct loans to business borrowers, and recommended that the statutory life of the agency should be extended for only two more years, to permit Congress to have a fresh look later at the need for its continuance.

Fulbright Bill

Senator J. William Fulbright (D., Ark.), the individual who more than any other has succeeded in bringing about a reform in the RFC, is pushing legislation to solidify in statute some of the reforms administratively effected by Mr. Symington and the RFC Loan Policy Board, as well as other reforms.

Among these is one which would require the administrator (or other single head) to approve any loan himself which was in excess of \$100,000. Senator Fulbright would require stronger statutory requirements for the serving of public interest as a condition to a loan.

His bill also would abolish RFC's capital account and thereby in effect require that the agency pay the Treasury for all funds it employed. He would further require that all loans approved for business borrowers must be set up under an arrangement providing for the repayment of proceeds within a 10-year maximum limit.

There is some chance that the Fulbright bill may pass the Senate ultimately this year. As yet the House Banking Committee has shown no inclination to pay any attention to RFC reform legislation.

Two as yet amorphous developments may have a considerable effect upon the RFC's future.

One of these is the proposal to allow the Government to set up corporations to capitalize "special purpose" production facilities; that is, factories whose output is entirely ticketed for sale to the Government for the war effort.

Since Congress cannot soon work out its revision of the Defense Production Act, there may be a move within the Administration to set up some kind of a temporary DPC activity within the RFC. At present, this agency may technically disburse such capital loans on the re-



"There's no future in this department. All I meet is fellahs who need money."

quest of the procuring Government agency.

And if DPA as passed does provide for expanded Government defense plant financing, this activity may be housed in RFC.

Another development on the horizon is a move in the House to curtail below 31 the present number of regional "Loan Agencies" which RFC is permitted to have.

Tax Bill (See page 35)

The House tax bill as reported was regarded as far from a serious endeavor. Just because it was a more or less sloppy job, the Senate will be required to give its version of the tax bill the most careful consideration. It is the Senate bill which will, far more closely than the House bill, contain the actual terms of the kind of tax legislation which in fact will be adopted and become law this year.

The background of the House tax bill, is virtually this: Initially the House committee took its tax-raising job with the utmost seriousness, rejecting various controversial recommendations, like changes in the oil depletion law and a great boost in the incidence of capital gains taxation, unlikely to survive in final passage of the bill in any case.

Then, after the committee adopted a number of changes and increases in excise taxes, it came face to face with the stark fact that a bill which would both raise revenues and operate as an anti-inflationary force would have to reach down into the lower brackets of income.

Faced with this prospect, the House committee shied away. Instead it adopted the 12½ percent defense surtax, which will bear more heavily upon the upper brackets and is of doubtful revenue productivity, and it adopted sharp increases in corporation taxation. One of these increases was 5 points, from 47 to 52 percent, in regular corporation taxation. The second reduced from 85 to 75 percent of base income that income subject to excess profits taxation, and at the same time boosted the maximum of all corporation taxation from 62 percent to 70 percent.

Superficially, the House bill looks like a straight CIO "soak the rich and the corporations" proposition. It is not quite that in motivation, however. The real reason the House adopted those particular devices

was that it was afraid to reach into the lower brackets.

As a consequence the tax bill in fact will have to be written primarily in the Senate, and initially in the Senate Finance committee. That committee may complete its bill by the latter part of the Summer.

Transamerica Ruling

Final disposition of the Clayton Act proceeding by the Federal Reserve Board is still many months—perhaps years—away.

R. M. Evans, a member of the Board, issued a "recommended decision" in his capacity as trial examiner, proposing that Transamerica Corporation be required to divest itself of its holdings in all banks, except its minority interest in the Bank of America.

APPROPRIATION: A new tax in disguise.

—Aledo (Ill.) Times Record

The next step is that either Transamerica, or the Board itself, may take legal "exceptions" to this recommendation. These then are argued.

If, thereafter, the Board itself, sitting as a "judge" in the case, rules against Transamerica, then the Board's decision must be submitted to a U. S. Circuit Court of Appeals. If the latter court rules against Transamerica, in turn, then it issues an order which becomes binding unless the decision is appealed to the Supreme Court.



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consecutive dividend

A quarterly dividend of 45c a share, plus an extra dividend of 5c a share, has been declared on the common stock of this company, payable on July 2, 1951, to shareholders of record June 6, 1951.

E. H. Vohleir, President
May 25, 1951

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New Books

America's Financial Structure

THE organization, functions, relationships, and operating methods of the many agencies that make up our financial system are described in *AMERICAN FINANCIAL INSTITUTIONS*, a substantial volume edited by Herbert V. Prochnow, vice-president of The First National Bank of Chicago.

Mr. Prochnow, who is director of the Central States School of Banking at the University of Wisconsin, has brought between two covers a vast amount of authoritative data. Compiled by 25 eminent authorities, the book is virtually encyclopedic in its field. It covers commercial and mutual savings banking, urban real estate financing, factoring, agricultural and instalment financing, the Federal Reserve System, operations of the United States Treasury, insurance, security and commodity exchanges, savings and loan associations, investment banking, investment companies, trust service, government regulation of financial institutions, personal finance, credit rating agencies, trade associations in the financial field (one chapter is devoted to the American Bankers Association), the development and functioning of our monetary institutions and mechanism.

The editor points out that "competent and able studies have been made of individual institutions, but the value of having one book which would present the complete financial organization of the United States has long been apparent."* So that bankers, businessmen, industrialists, attorneys, accountants, students and others might have a

comprehensive discussion of the agencies that keep our economic system working, Mr. Prochnow asked university professors and others in positions of responsibility with financial institutions to prepare this study.

"Each contributing author," says Mr. Prochnow, "has been encouraged to describe the relationship of the particular financial institution he has discussed to other institutions, with the thought that opposing viewpoints might be not only interesting but also especially informative to the reader." Extensive supplementary readings are also suggested.

Two of the contributors are especially well known to members of the American Bankers Association. Dr. Harold Stonier, the Association's executive manager, writes about the A.B.A., and Deputy Manager Walter B. French is the author of the chapter, "Consumer Instalment Credit in American Banks."

Dr. Stonier says the American Bankers Association "may be considered a trade association from the viewpoint of its assistance to banks in the conduct of strictly business transactions."

Nevertheless, many of the functions and relationships in banking are of such a highly specialized character, involving such professional skills as law and economics, that work of the Association oftentimes may be classified as that of a professional association. In some respects it is a service organization performing for its membership a variety of special services which are particularly adaptable to nationwide organization.

Finally, Dr. Stonier points out, "the Association may be regarded as an educational organization."

The educational influence of the Association has had a profound effect

upon the development of our financial institutions and techniques, and its influence has been felt in such important matters of public policy as currency reform. It may be stated that almost every activity of the Association is educational in nature. Despite the different forms which educational efforts take, the Association is motivated by one basic purpose: constant improvement of the banking system in serving the financial and related requirements of the public.

The education of bank personnel has been a foremost undertaking of the Association, and the scopes of the American Institute of Banking and The Graduate School of Banking are outlined in the chapter. Dr. Stonier also illustrates the A.B.A.'s educational character by citing its effort to improve banking techniques and methods.

The Association may be regarded as a research laboratory in which a vast amount of information helpful to bank management flows, is tested and evaluated, and disseminated for broad use in the industry.

Banking's public relations provide another nucleus of the Association's educational work.

The criticism directed against the banks during financial crises made it necessary that attempts be made to improve relations with the public. A healthy attitude could only be created by informed public opinion. The Association has been responsible for a major part of the work of the industry along these lines. For many years it has disseminated among the banking profession and the public at large, knowledge of sound principles of banking, economics and business procedures.

The public service function of assisting government in promulgating sound banking legislation and adopting of sound, constructive policies, and the Association's service as a liaison between the banks and the Government in conducting

(CONTINUED ON PAGE 108)

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(CONTINUED FROM PAGE 106)

national campaigns, such as the financing of the two World Wars, are also covered.

Dr. Stonier describes the organization and administration of the Association, emphasizing that the major part of the work is conducted along functional lines, through the development of departments, councils and committees as they have been required to serve the needs of the banks and the country.

Mr. French, who is in charge of the Association's Consumer Credit Committee, Small Business Credit Commission, and Credit Policy Commission, contributes an extensive chapter on the consumer instalment credit activities of commercial banks. He gives the historical background of this popular service, leading up to the formation of the

Association's department in this field in 1940, makes available the texts of such documents as the A.B.A. "Standards of Practice," "Consumer Credit Creed," and the model small loan enabling act suggested for the guidance of banks in various states.

Mr. French reminds that consumer instalment credit is a comparatively recent development; most banks have entered it during the last 15 years. As its techniques are better understood, he predicts, it will branch out into "fields not at first contemplated." Small business loans are an example of this potential expansion.

The A.B.A. expert believes that the "next step in the development of the instalment loan business will probably come in the field of rates."

As the departments continue to de-

velop, the ceilings now fixed by law for banks will probably be increased and they will also take into consideration a graduated rate, with smaller rates being specified for larger amounts. When loans are large enough, no enabling legislation is needed because the legal interest rate will be high enough to permit a profitable operation. For example, take a state that has a legal rate of 6 percent or 8 percent. A loan of \$5,000 for one year with twelve monthly payments could be made on a profitable basis on a discount arrangement. A discount of 3 percent on this loan would give the bank sufficient income to make the loan and still be under the legal rate for the state.

In conclusion he says it would seem evident that "consumer instalment lending has been and is of real benefit not only to the individual but to the economy as a whole."

5,000 High School Seniors Get Bank Awards

BANK OF AMERICA distributed \$32,000 in cash prizes and approximately 5,000 certificates and trophies to California high school seniors this year in its Achievements Award program for the stimulation and encouragement of students in their academic, vocational, and citizenship training.

The awards were established four years ago for pupils in the Los Angeles district. In 1951 the plan was made statewide, with separate but identical programs in four areas of California. Trophies and certificates are awarded to school winners at assemblies in all high schools. Final cash awards are presented at special ceremonies in each of the four general areas.

The program was developed with the cooperation of a committee of educators, a procedure that resulted in a project which the educators themselves felt would be most valuable educationally and which would avoid objections to contests in schools. The bank has continued to work closely with and to be guided by members of the teaching profession, and has thus been assured of a smooth, effective program.

Features of the plan include:

(1) Equal awards and recognition in all fields of school work. Vocational students, for example, share

in the awards to the same extent as the liberal arts pupils.

(2) Minimum demands on teacher and student time, with no disruption of classes.

(3) Sizable and numerous cash prizes and wide distribution of trophies, assuring maximum motivation to all students rather than to a few contestants.

(4) Emphasis on selecting the well-rounded student who not only has good scholarship but whose leadership and personality give promise of future worth.

(5) A system of judging carefully worked out on an objective basis, with the use of standardized

forms and panels of judges who are prominent community leaders.

"The Achievements Award program has been an unqualified success," Walter Braunschweiger, executive vice-president of Bank of America, tells BANKING. "It has received the enthusiastic support of school officials and civic leaders. We feel it provides a real service in stimulating students in their pursuit of academic, leadership, and citizenship training and in emphasizing the advantages of our American way of life. Our organization has received real returns in goodwill among the students, educators and people of California."

Walter J. Braunschweiger, executive vice-president (second left), A. J. Gock, chairman of the board (fifth left), and Dr. W. Ballentine Henley, principal speaker, with four of the 16 California students who won first prizes of \$1,000 each in the Bank of America Achievement Awards program



Savings Bank Advertising in 1951

RESULTS of a survey conducted by the Advertising Department of the American Bankers Association indicate that in their 1951 advertising the mutual savings banks are giving most emphasis to thrift and savings.

Of the 146 banks that responded to a questionnaire 143 said that this general theme was receiving greatest stress. Mortgage lending was a close second, with 140 mentions, while bank-by-mail was third with 41. This order is the same as in 1950.

Responses to the question, "What do you think is the major advertising job to be done in the coming year?" reflect the uncertain tenor of the times. Based on the answers received, this is the general picture:

Educational. "Tell the story of

the mutual savings bank" . . . "Importance of keeping the dollar sound." . . . "Nature and function of private banking in a free economy." . . . "Dependability of banks." . . . "Necessity of thrift to preserve American way of life." . . . "Convince the average man that the bank is his bank and for his benefit." . . . "Purchasing power of the dollar."

31 mentions

Thrift themes. "Security." . . . "Spend only when necessary." . . . "Benefits of thrift." . . . "Thrift, the nucleus of independence, rounded savings program." . . . 62 mentions

National emergency themes. "Importance of banks to the nation." . . . "Important part played by banks in war economy." . . . "Combat inflation." . . . "Encourage making cash payments as an aid in curbing

inflation." . . . 23 mentions
Merchandising. "Keep name before the public." . . . "Mortgage loans." . . . "Farm production loans." . . . "Home ownership." . . . "Build up banking—by mail, in anticipation of personnel shortages."

21 mentions

Government competition. "Combat government competition."

3 mentions

1951 Advertising Expenditures (Estimated)

by 146 Mutual Savings Banks, U. S.

Deposits (by Millions)	Number of Banks Listing Est. Expenditures	Range of Expenditures	Average Expenditure per Bank	
			1951	1950
Under \$3	5	\$200- \$1,600	\$820	\$225
3 under 4	5	125- 1,000	515	810
4 under 5	8	200- 1,000	750	820
5 under 6	9	500- 3,500	1,700	830
6 under 7	7	700- 5,000	2,325	1,545
7 under 8	6	500- 5,000	2,750	1,890
8 under 9	8	600- 3,000	1,700	1,465
9 under 10	6	150- 3,500	1,940	1,655
10 under 15	21	500- 8,000	3,660	2,985
15 under 20	18	1,600- 16,000	6,690	5,820
20 under 25	10	2,500- 10,000	6,205	5,680
25 under 50	15	4,200- 25,000	14,345	11,890
50 under 75	7	4,000- 27,000	13,425	22,730
75 under 100	7	23,000- 80,000	41,145	32,885
Over 100	14	25,000-200,000	76,360	74,720

Total banks reporting 146
(Total mutual savings banks, U. S.—529)

EMPHASIS CHART

Figures indicate total number of banks giving first, second or third emphasis to that particular service.

Service	Number of Mentions	Order of Emphasis	
		1951	1950
Savings—thrift.....	143	1	1
Mortgage loans.....	140	2	2
Bank-by-mail.....	41	3	3
Savings bank life insurance.....	26	4	6
Repair loans.....	21	5	7
Safe deposit.....	17	6	8
Institutional.....	14	7	5
Educational.....	9	8	11
Personal loans.....	9	9	10
Special clubs.....	6	10	..
Life insurance loans.....	5	11	4
Business loans.....	5	12	..
Home appliance loans.....	2	13	14
Farm production loans.....	2	14	15
Farm equipment loans.....	2	15	..
Auto loans.....	2	16	12
Bank money orders.....	1	17	13
Christmas club.....	1	18	9

Professors Study Business at Banks

THREE American banks—Bank of America, The Chase National, and The National City of New York—are among the organizations that are providing fellowships for professors this summer under the College-Business Exchange Program of the Foundation for Economic Education, Inc.

The purpose of the program, in which numerous business firms take part, is to provide college and university teachers opportunities to make on-the-spot studies of business during six weeks of their summer recess.

The fellowship grantors pay each professor his transportation costs, plus \$400 for living expenses. Most of the fellowships have been granted to professors of economics, but the grants are not so restricted.

The objective is to give the teacher a fairly comprehensive picture of a business firm's operation, largely through interviews with supervisors and top executives. Each company works out the details of its training program. Final approval of candidates recommended

by the Foundation rests with the business firms.

Bank of America has two guests this summer: Professor Russell M. Bates of Menlo School and College, and Professor Ellis M. Sowell of Texas Christian University. Professor Lewis Severson of Beloit College is at The National City Bank, while the Chase's guest is Professor Clement H. Donovan of the University of Florida.

The unusual conference table of the Merchants National Bank of Quakertown, Pennsylvania. Cashier Raymond W. Krueger designed it to fit in with the bank's new building and modern furnishings. A unique feature is the table's shape. It is 1 foot 7½ inches wider at one end than the other, so that no one has to lean forward to see any other conferencee



Letter from an officer
of a large eastern trust company
that first used Purse service
in 1928



"Outstanding to me are the new trust promotion programs as they come up, each in turn better than the previous. They show most careful thought, direction, planning and acceleration—and withal are understandable and very much in the layman's language.

"Frankly, I can't conceive of any trust promotion program without your direction and aid. You have been most cooperative, from Bob Purse all down the line."

Without obligation, write for information about Purse service and how you can use it to develop business for your trust department.



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BANKING'S ADVERTISERS

July 1951

Abbott Laboratories	106
Allison Coupon Company, Inc.	102
American Appraisal Company	4
American Credit Indemnity Company	28
American Express Company	75
American Surety Group	23
American Telephone and Telegraph Company	5
Banco Comercial Antioqueno	22
Bank of America N. T. & S. A., San Francisco	20
Bank of Montreal	25
Bank of Nova Scotia	91
Bankers Trust Company, New York	32
Bar-Twenty (Associated with Banthrico Industries, Inc.)	24
Burroughs Adding Machine Company	88, 89, 99
Canadian Bank of Commerce	96
Case Company, J. I.	101
Central-Penn National Bank, Philadelphia	4
Chase National Bank of the City of New York	67
Christmas Club, A Corporation	13
Chrysler Corporation (Airtemp Division)	31
Commerce Clearing House, Inc.	77
Commerce Trust Company, Kansas City	100
Continental Illinois National Bank and Trust Company of Chicago	19
Daystrom, Incorporated	6
Deluxe Check Printers, Inc.	96
Doane Agricultural Service, Inc.	22
Douglas-Guardian Warehouse Corporation	Cover II
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Fidelity and Deposit Company of Maryland	79
First National Bank of Chicago	57
Fulton National Bank, Atlanta	16
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Halsey, Stuart, & Co., Inc.	94
Hammermill Paper Company	Cover III
Hartford Fire Insurance Co.	12
Hartford Accident & Indemnity Co.	21
Home Insurance Company	27
Inserting and Mailing Machine Company	69
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McBee Company, The	10
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Safeway Stores, Inc.	27
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Standard & Poor's Corporation	16
Standard Paper Goods Manufacturing Company	24
Tubular Specialty Manufacturing Co.	93
Underwood Corporation	30
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Yale & Towne Manufacturing Company	

Business Aids

Home Planners' Libraries • New Products • Operations • Industrial

EACH month this column will list recent acquisitions including manufacturers' literature and other special announcements of interest to our readers—though no statement made should be regarded as an endorsement.



INSIDE MISSISSIPPI. A 46-page, well-illustrated booklet outlining, with charts and tables, Mississippi's economic and industrial progress in the last 10 years. Charts cover net income, new construction, bank resources, etc. Lists and discusses 11 factors contributing to rapid industrial growth of state:—location, transportation, power and fuel, climate, resources, labor, government, room for ex-

pansion, protection, environment, education and recreation facilities. Available from *Mississippi Agricultural and Industrial Board, P. O. Box 849, Jackson, Mississippi.*



CORRUGATED PLEXIGLAS FOR ARCHITECTURE. A 22-page well illustrated booklet describing Plexiglas and its advantages with suggestions for its use. Contains blueprints and many handsome illustrations showing Corrugated Plexiglas used in interior decoration, for signs and store fronts, for lighting in homes, banks and public

buildings and for glazing industrial and commercial applications. Write to *Rohm & Haas Company, Washington Square, Philadelphia 5, Pennsylvania.*



BRICK AND TILE. A monthly publication containing handsome illustrations with comments on the use of brick and tile in the architecture of modern office buildings, schools and homes. This publication may be obtained by writing to *Structural Clay Products Institute, 1520 18th Street, N.W., Washington 6, D. C.*



The **EDCO DELAYED ACTION LIGHT SWITCH** for use in existing outlets and new construction has been announced by the *Electric Deodorizer Corporation, 9993 Broadstreet, Detroit 4, Michigan.* Approved by Underwriters Laboratories and

fully guaranteed, the switch snaps the light on in the same manner as a regular switch, but when snapped to off position the light stays on for almost a full minute and automatically turns off. Recommended for installations on porches, in garages, bedrooms, in hallways, bathrooms and stairs. Less expensive and easier to operate than "timer" controlled switches, for industrial plants and stores.



WELDWOOD PLYWOOD FOR COMMERCIAL INTERIORS, a handsomely illustrated 19-page booklet giving examples of the decorative effects possible through the use of plywood in banks, stores, offices, hotels, etc.

Points out that increased profits result from the eye-appeal of attractively decorated stores, restaurants, hotels, etc., and indicates that the use of plywood for such decorative purposes is easy and economical. Write to *United States Plywood Corporation, 55 West 44 Street, New York, New York.*



HOW TO PUT SOCK IN YOUR FIRST SENTENCE. A 6-page booklet, the first in a series devoted to improving letter writing. According to Dr. Aurner, the author, a good opening sentence ought to do 4 things: show courtesy, make a statement, tie down the reference, show action. Several examples are enclosed. Second and third

booklets in the series are **MAKE THE LOOK OF YOUR LETTER COMMAND RESPECT** and **DICTATE WITH A BIG YOU.** Pamphlets may be obtained by writing on business letterhead to *Fox River Paper Corporation, Appleton, Wisconsin.*

The Condition of Business

(CONTINUED FROM PAGE 33)

ing faculty members who refused to take an anti-red oath; about a British warship being fired on by Chinese Nationalist planes off the coast of China and about efforts toward the economic integration of Western Europe.

Editorially the press was concerned about such matters as the latest Soviet peace maneuver in which the Communists were endeavoring to solicit mass signatures for a petition to ban atomic weapons.

No Hint of War

Most conspicuous by its absence from these papers and from the thousands of news outlets across the country was the slightest hint or rumor that a war was about to start, that it had in fact already started on the far side of the world.

There was nothing in these papers to indicate that in June intelligence bulletins reported the continuous buildup of troops north of the 38th Parallel, including the assembling of tanks, field guns and heavy equipment. Leading officials of the Government had spoken publicly in May in a way indicating that they had no inkling of imminent war.

Today, 365 papers later, you have a different world but there is probably not much of a hint in today's papers, any more than a year ago, of the great news-tides which will sweep us around this coming year, determining the nation's and business' outlook.

The first year of the Korean War has done two things, principally, to business. It has taught business to be ready for any eventuality, as witness the alternate buying sprees and slumps, depending on the degree of war fear. It has also set an overall inflationary pattern that is likely to prevail for years to come.

Here are a few questions relating closely to the future of business, together with some possible lines of logic and reasoning in quest of the answers:

Will we be engaged directly in war with Russia within a year?

Russia does not have the fuel, transportation, or productive power to win. Of the total world supply of oil, Russia has only about 1/10 as much as the free world, and it is inconceivable that we would let her get Iran's oil. Russia is doing all right without a full scale war. The basic principle of Red imperialism has always been one of limited commitments, and no direct exposure of the Russian homeland. She may have an atom bomb and may not. If she has it, why has she not made a demonstration for propaganda purposes? If Russia wanted war she would have started one before now. She can do better keeping us stewing.

Cold War?

Will our indirect war with Russia, as in Korea, continue and spread?

Russia will continue to try to wriggle into Iran, Malaya, the East Indies, and any area where she might obtain oil, rubber, uranium, and other strategic materials which she needs. Russia thrives on trouble. Real peace would be the end of Russian communism. It would mean the opening of the iron curtain and the resumption of normal trade and cultural relations, all of which would mean the end of communism.

Debate?

Will the grand debate on foreign policy continue?

It will swing U. S. policy definitely toward a more virile nationalism because of disillusionment with the internationalism of the last three decades. This will occur no matter which party wins the election, although a Republican victory would dramatize and underscore the historic change. Nationalism in this sense would not be isolationism in any sense, but the opposite. There will be a return to faith in ourselves and confidence in the kind of leadership we can offer the world.

Free World?

Will our relations with the free world abroad improve?

There will be better understanding of the common danger. The shift to a more nationalistic and realistic pattern of requiring our friends to do more for themselves will be better understood than our openhanded policies of recent years. The latter keep our allies suspicious and doubtful of our intelligence. You can never persuade the average foreigner that a country which throws it around the way we do, does not have some sinister and altogether evil purpose or is too stupid to bother with.

Defense Program?

Will the defense program go along about as planned?

With difficulties arising from the erratic, hot-cold nature of the conflict. We like our easy living but we don't want to be caught again like this. The goal is not difficult. We plan an army of 3,500,000 men and not the 12,000,000 of World War II. The money is appropriated and will be spent.

Guns and Butter?

Can we have guns and butter, too?

By the end of 1952 the best minds in the National Production Administration estimate our productive plant will be double what it was 10 years ago. Chief Administrator Wilson tells visitors confidently that while there may be civilian shortages this next year in goods using steel, copper and aluminum, the following year we can begin to talk about taking off controls. In 1953 he thinks we should be able to maintain military production on top of a healthy civilian economy. In World War II at the peak, 45 percent of the gross national product was for defense. Today the amount is only about 8 or 9 percent. It will be 15 percent by the end of the year and at no time, according to present plans, will it exceed 20 percent.

Living Costs?

Will the cost of living increase?

Controls will be ineffective. The real pinch on consumer goods will come late this year and early next year. The rise will not be as much as many expect, however, because of recurring peace scares and the fact that the cost of living will become a political issue. Increased productivity will prevent scarcity. High taxes and the fact that a large part of the population lives on fixed or semi-fixed incomes is also a heavy brake on the cost of living.

WILLIAM R. KUHN.

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